Daily Report

West Europe

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FBIS-WEU-95-122 *26 June 1995*

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Report Questions Legality of EU 'Backroom' Deals

MS2306124795 London INDEPENDENT in English 23 Jun 95 p 13

[Report by Sarah Helms: "Report Challenges EU's Hidden Deals"]

[FBIS Transcribed Text] European member states are making scores of backroom deals which contradict or water down the laws they pass in public, according to a leaked report from the EU's legal experts.

The study, obtained by the Independent, will deepen fears voiced in Westminster and other national parliaments that policy-making in Brussels comes under insufficient public scrutiny. The report also throws into doubt the legality of scores of European directives, converted into national law partly on the basis of such informal understandings or protocols.

The whole basis of unpublished agreements between ministers has no legal standing and they "must absolutely not be made", says the report prepared by the legal service of the Council of Ministers. The British Government has often defended its compliance with EU measures on the grounds that side deals have been struck to soften their impact and protect the national interest. The report suggests all such deals are open to legal challenge in the European Court and could be declared meaningless.

It is well known that member states negotiate privately to reach a consensus. What this new study reveals for the first time is that deals are sometimes reached which contradict the published law. Several examples are cited where secret talks between ministers of member states have resulted in unpublished statements, watering down an EU directive or saying something different.

Under the EU's law-making process the European Commission, which is the executive arm, proposes legislation; the European Parliament has limited rights to amend or block proposals, but it is the Council of Ministers, representing all 15 member states, which has the ultimate say on new laws. The European Court of Justice is charged with ensuring that laws respect the treaty and are implemented properly in member states. EU law may come in the form of a directive, which must be translated into national law by each state. Or it may be a regulation which must be enforced directly.

The new report finds that, in many cases, these laws have been publicly agreed in one form but covertly watered down in the minutes of the Council meeting. Neither the European Parliament nor national parliaments are consulted on these agreements. The European Commission, however, is often a party to them as it has a seat but not a vote, in the Council.

A recent example was EU regulation 3381/94, which obliged states to notify fellow member states when they were transporting potentially lethal substances. In secret the Council of Ministers agreed a statement which appeared to nullify the law. It said: "It is agreed it is clearly not necessary to consult every member state through which the goods will pass on their way out of the community." On another occasion, largely on Britain's insistence, it was agreed to soften a data protection law so that it could have almost no effect. Informal exceptions have also recently been made on TV viewing quotas and transport of lethal substances. Even an agreement won by Britain to allow it to keep its border controls could be exposed as null and void.

What the findings reveal is that member states have not been able to agree on the legislation at all. "Where the legislation says 'have to' the statements often say 'ought to'", as one Danish diplomat put it. In order to secure approval of all 15 members it has been necessary to provide a range of secret opt-outs to take account of each country's separate interests.

The report says that recently the number of statements have grown "out of all proportion". The practice of secret deals has "developed in such a way that it now threatens to undermine legal certainty," says the document. At the Cannes summit next week, EU leaders will proclaim the need for greater openness and simple legislation. But the report says the secret agreements "run counter to the efforts made by the Council to improve openness of its proceedings".

The study has already caused uproar in Denmark, which has been pushing for EU proceedings to be made public and minutes to be published. Member states defend the practice, however. Although they may seem murky and unaccountable, such practices, they say, help to protect national interests and reflect the diversity of EU nations. Any attempt to abolish the practice — as the EU legal service recommends — would, in effect, strengthen the central powers of the EU and force member states to abide by the letter of EU law.

European Socialists Oppose French Nuclear Tests

AU2506153195 Paris AFP in English 1442 GMT 25 Jun 95

[FBIS Transcribed Text] Cannes, June 25 (AFP) — European socialist leaders meeting near here Sunday [25 June] criticised France's decision to resume nuclear tests and urged it to reconsider.

In a resolution put forward by Dutch socialists, the 17 participating countries said: "The decision of the French Government to resume testing and to ignore the

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existing moratorium is an unnecessary blow to the non-proliferation regime."

"The PES (Party of European Socialists) leaders condemn this decision and call upon the French government to change its mind," the statement said.

"They ask all those states in possession of nuclear arms to confirm their renunciation of testing. They call upon all the governments to cooperate in an effort to reach an early agreement on the Comprehensive Test Ban Treaty and the strengthening of peace."

The initial text was modified after first secretary of France's Socialist Party Henri Emmanuelli insisted it should not be seen "solely as a condemnation of (French President Jacques) Chirac's government", but should be extended to all states possessing nuclear weapons.

On Friday [23 June], Dutch Socialist Prime Minister Wim Kok said the "worrying" issue of French nuclear testing should be discussed at the European Union summit meeting to be held Monday and Tuesday in Cannes.

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Vranitzky Receives Palestinian Minister Sha'th

JN2306184095 Jericho Voice of Palestine in Arabic 1730 GMT 23 Jun 95

[FBIS Translated Text] Dr. Nabil Sha'th, minister of planning and international cooperation, met with Austrian Chancellor Franz Vranitzky today. The discussions focused on extending Austrian aid to build houses in the Palestinian National Authority [PNA] areas.

In a news conference this morning, Dr. Sha'th reiterated the PNA's demand for full Israeli withdrawal from the populated cities and villages in the West Bank so that free elections can be held. He said that free elections can only be held in a free country rather than in an occupied country. He added that in case the Israeli troops begin withdrawal on 1 July, then elections can be held in September or October.

Poll: 84 Percent See Anti-Semitism as 'Problem'

AU2606071095 Vienna DIE PRESSE in German 24 Jun 95 p 7

[APA report: "Concern About Anti-Semitism"]

[FBIS Translated Text] Linz (APA) — At least "to a certain extent," 84 percent of 1,000 Austrians interviewed regard anti-Semitism in Austria as a problem; 40 percent of the respondents even think of it as a "serious problem." This is the result of study by the Linz "Market" institute, whose results were published on 23 June.

Fifty-six percent of those interviewed at the end of March and in early April agree that anti-Semitism is "rising fast"; 38 percent believe that the limit of the anti-Semitic mood has already been reached; 6 percent think that anti-Jewish tendencies in Austria will decrease again.

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Van Mierlo Pessimistic About EU Summit

BR2306153195 Amsterdam DE VOLKSKRANT in Dutch 23 Jun 95 p 4

[Unattributed report: "Van Mierlo Pessimistic About EU Summit After Major's Decision"]

[FBIS Translated Text] Luxembourg — Foreign Minister Hans Van Mierlo is "somewhat unhappy" with the decision by British Prime Minister John Major to "resign," as it were, just before the Cannes European summit.

Van Mierlo was speaking on Thursday evening [22 June] in Luxembourg where he attended an emergency meeting of foreign ministers. "Next week in Cannes important decisions must be taken about Europol and the European Development Fund," he said.

"What will happen with them now? I am rather pessimistic. Because now in Cannes there will be someone at the table who feels himself that he should not be there," he said. Van Mierlo respected Major's decision to try to strengthen his position in the British Conservative Party.

"The most important question is: What is good for Europe?" the Netherlands minister said. "If Major gets the confidence of his party, that is beneficial for Europe. If he loses, it will become difficult. Because at present no one can be found in the Tories who is standing up for Europe. Major is still doing his best for Europe."

Prime Minister Kok, VVD Lead in Popularity

BR2606135195 Rotterdam ALGEMEEN DAGBLAD in Dutch 26 Jun 95 p 5

[Unattributed report: "Poll: Kok Is Popular and VVD Is Largest Party"]

[FBIS Translated Text] The Hague — The popularity of Prime Minister Kok continues to far exceed that of his party, the PvdA [Labor Party]. Some 60 percent of voters are reasonably to very confident in the prime minister, while the PvdA would still only get 32 seats if parliamentary elections were to be held now.

The VVD [People's Party for Freedom and Democracy] would become the largest party in parliament with 41 seats, a gain of 10. There would also be losses for the CDA [Christian Democratic Appeal] (28 seats, down six); D66 [Democrats '66] (24 seats, down six); and the senior citizens' parties. The small Christian parties would grow from seven to 15. Green Left would go from five to eight seats.

This was shown by a NIPO poll commissioned by TROS radio. Kok did not find the difference in popularity between himself and his party worrying, because it was a poll "without any tension, including about the question of power."

Confidence in the prime minister climbs from 50 percent among people who voted for an opposition party to 75 percent among voters for government parties. The poll shows that Kok is uncontested as party leader: Eighty-eight percent of PvdA supporters are very confident in him.

In reply, Kok spoke of "a good basis" to continue. He concluded with some relief that the difference in the polls between his party and the VVD was now getting smaller than at the time of the provincial elections in March. He called the appreciation for the cabinet and himself encouraging.

"And also the situation here is that I am not doing it on purpose," said Kok. "Because we are also making a number of choices which involve disappointments or difficulties for people, but it cannot be otherwise. We are not here to play up to everyone."

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Hurd Argues For Referendum on Single Currency

MS2206124495 London THE GUARDIAN in English 22 Jun 95 p 10

[Report by Michael White: "Hurd Favours Referendum on Currency"]

[FBIS Transcribed Text] Douglas Hurd yesterday threw his ministerial weight behind calls for a referendum if the Government eventually decides that joining a single currency is "in the national interest" after all.

The Foreign Secretary's stand came as part of his maneuvers to soothe both domestic and foreign critics ahead of next week's European summit in Cannes. Privately he is pushing the referendum as a plausible compromise. But interruptions from his own side in last night's Commons debate on Europe underlined his problems, deflecting attention from his shadow Robin Cook's call for greater powers for the European Parliament — to help it to cut waste and fraud — and a renewed pledge that a Blair government would sign the social chapter.

Mr Hurd insisted that, "unless the governments of Europe are remarkably foolish", they would continue to move towards decentralisation and enlargement of the union as Britain wants, but he also criticised Baroness Thatcher's recent attacks. "She challenged the assumptions of the day with a great deal of vigour. She now summarises her stance as 'No, no, no.' My own recollection is rather of 'no, maybe, yes'," Mr Hurd recalled.

In evidence to the Commons select committee on foreign affairs, Mr Hurd had earlier stood squarely behind John Major's refusal to abandon his Maastricht opt-out option on the single currency in favour of outright opposition-the line taken by Thatcherite Eurosceptics in the battle over the coming Tory election manifesto.

Mr Hurd told the committee: "I personally am no friend of referenda. But I do see the argument for a referendum on this subject if the British Government came to the conclusion that a single currency was in the national interest."

That will be after 1999 at the earliest, EU finance ministers admitted this week. Repeating the formula in the Commons last night, Mr Hurd stressed that there would be no relaxation of the timetable or entry criteria for the single currency to speed it along.

Mr Cook said Labour did not support a federal Europe or a superstate: "We are not in favour of joining an EU in which we have to surrender sovereignty. We favour an EU which is a free association of independent member states... sharing a common interest."

Tory Euro-sceptic Bernard Jenkin (Colchester N), intervening, said non-EU member Switzerland had increased its trade with the EU faster than had Britain, had maintained a stable currency, was efficient and had good living standards.

"Life outside the EU need not necessarily mean death," said Mr Jenkin. "In any case, very few people on these benches are advocating that we leave the EU. What we are advocating is that we perhaps redefine our relationship with the EU so it is more in our interests."

Mr Cook retorted: "If you really want to go out to the public and say Britain can survive on the basis of the economy of Switzerland you will get a very loud raspberry from anyone who understands industrial reality."

Another leading Euro-scpetic, Bill Cash (C. Stafford), warned that stronger currency links would see EU unemployment rise by as much as 10 million, and "in the welter of chaos" that would follow "we could find ourselves facing a new form of incipient fascism...because the national safety valves of local parliaments will have been taken away".

Mr Hurd's endorsement of a referendum represents his pragmatic determination to keep the Tory party united, and may help Mr Major to rein in the wilder elements of his party trying to pull him off the Eurofence in one direction or the other. Many sceptics as well as some pro-Europeans favour this course, though Cabinet ministers on both sides of the battle — Kenneth Clarke and Michael Heseltine on the pro-EU wing, Michael Portillo and John Redwood in the sceptic tendency — have spoken against it. "The Prime Minister has made it clear in several public speeches... that he does not rule it out," Mr Hurd told the committee.

In his Commons speech he argued that whereas "it was once assumed that Community spending was a good thing in itself", the new orthodoxy was to say the EU should "do less and do it better." Even Chancellor Kohl of Germany was now saying "we are not aiming at a United States of Europe".

Mr Hurd restated the Government's minimalist approach to next year's inter-governmental conference, arguing that the "structure of the EU is about right" and needs, if anything to be leaner and fitter.

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London Blocks EU Agreement On Foreign Aid

MS2306123295 London THE DAILY TELEGRAPH in English 23 Jun 95 p 19

[Report by Christopher Lockwood: "Britain Blocks Agreement on European Foreign Aid"]

[FBIS Transcribed Text] Brussels — Foreign Ministers were meeting last night in an attempt to solve a bitter dispute over money that otherwise threatens to spill over into next week's European Union summit in Cannes.

Britain and Germany were last night blocking the adoption of a French plan that would channel 11 billion pounds to Third World countries over the next five years.

At the moment, spending pledges by the EU countries to the European Development Fund (EDF) amount to only 10 billion pounds with Britain responsible for about half the shortfall.

British officials said last night that there was strong opposition to putting up the extra 500 million pounds it is being asked for. "It is not a matter of us paying out less aid," said one. "Our aid budget is fixed. It is simply a matter of which channel the money is dispensed through."

Britain fears that a large increase in the aid it disburses through the EU will simply starve its own foreign aid programme of cash and resources.

In the past, Douglas Hurd, the Foreign Secretary, has complained that EU aid programmes are often badly conceived and poorly administered.

The chances of a deal last night looked remote not least because the French foreign Minister, Herve de Charette, is unwell. He would normally have chaired the meeting, but instead was represented by a deputy, who was said by one observer to lack the authority to force a deal through.

It now seems likely that heads of government will have to settle the matter at the Cannes meeting, precisely the sort of squabble that summits are supposed to avoid.

The danger for Britain would come if Germany dropped its opposition to the EDF plan in return for French concessions in other areas, such as on the new European police force, Europol, discussions on which also reached deadlock this week and have also been remitted to Cannes.

Redwood Resigns From Cabinet in Leadership Bid

LD2606090295 London PRESS ASSOCIATION in English 0857 GMT 26 Jun 95

[By James Hardy and Sarah Womack, political staff, PRESS ASSOCIATION News]

[FBIS Transcribed Text] John Redwood resigned from the Cabinet today in the first move towards joining the Conservative Party leadership election.

The Welsh Secretary was poised to issue a statement formally announcing his intentions after formally quitting his Government job.

The news, which blows the leadership race wide open, came in a brief statement from Downing Street at 9.40am.

Downing Street said: "The Prime Minister has accepted the resignation from the Cabinet of the Rt Hon [Right Honorable] John Redwood MP, Secretary of State for Wales."

Mr Major left 10 Downing Street at 9.42 this morning but declined to speak to waiting reporters.

Mr Redwood's resignation followed a long weekend of silence from the Welsh Secretary and an increasing show of nerves from the Prime Minister's campaign headquarters. The decision by Mr Redwood to throw his hat in the ring will come a stunning blow to Mr Major — and could open the way for a Cabinet free-for-all in the election.

Right-wing intellectual Mr Redwood poses a far graver threat to the Prime Minister than a potential "stalking horse" challenger such as ex-chancellor Norman Lamont.

His challenge can expect substantial backing from the Tory right and could clock up a large enough anti-Major vote — as opposed to abstentions — to force the Prime Minister to stand down before a second ballot.

Announces Candidacy

LD2606133995 London PRESS ASSOCIATION in English 1322 GMT 26 Jun 95

[By James Hardy, Gavin Cordon, and Sarah Womack, political staff, PRESS ASSOCIATION News]

[FBIS Transcribed Excerpt] John Redwood today declared himself a candidate in the battle for the Tory Party leadership.

He said he had offered his resignation as Welsh Secretary earlier today to join the contest because the Prime

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Minister had "jeopardised" the party's position by quitting as leader.

He told a packed Westminster news conference that he had been "devastated" by Mr Major's decision to put his leadership up for election. He said it "leaves our party in limbo when it needs firm, strong leadership".

Mr Redwood promised in his first campaign pledge that, if successful, he would never allow the "abolition" of the pound or let Britain join a single European currency. He promised: "I and my team are going out to win. We're going to win it in one go." He was flanked by former chancellor Norman Lamont, who promised that he would back him "enthusiastically" in his leadership bid. [passage omitted]

Successor Appointed

LD2606104895 London PRESS ASSOCIATION in English 0951 GMT 26 Jun 95

[FBIS Transcribed Text] Cabinet minister David Hunt will take over as acting Welsh Secretary following Mr Redwood's resignation, Downing Street said.

Mr Hunt is currently Chancellor of the Duchy of Lancaster — a post more commonly described as the Cabinet's "troubleshooter".

Downing Street said Mr Major had asked Mr Hunt, as a former Welsh Secretary, to exercise overall supervision for Wales at Cabinet level until a new Welsh Secretary was appointed.

Lamont 'Poised' To Challenge John Major

LD2306190995 London PRESS ASSOCIATION in English 1838 GMT 23 Jun 95

[By James Hardy, Amanda Brown, Sian Clare and Gavin Cordon, PRESS ASSOCIATION News]

[FBIS Transcribed Text] Former chancellor Norman Lamont was tonight poised to launch an all-out challenge to John Major for leadership of the Conservative Party.

After a day of high drama at Westminster, right-wing Tories are believed to have persuaded him to take a tilt at John Major in a head-to-head fight for control of the party.

Mr Lamont was maintaining a steadfast public silence but there was a growing expectation at Westminster that he would put himself forward as a candidate in the next couple of days. There were reports that he was assembling a campaign team and was preparing a wide-ranging policy platform.

Leading right-wingers led by dissident former minister Edward Leigh were publicly demanding a clear-the-air challenge by a senior minister or former minister rather than a no-hope "stalking horse" candidate.

But on the day Foreign Secretary Douglas Hurd stunned MPs by announcing his decision to stand down at the next Cabinet reshuffle a right-wing colleague appeared to raise the leadership stakes.

Welsh Secretary John Redwood stood alone among Cabinet colleagues in failing to give John Major a ringing personal endorsement in his quest to regain command of the Tory Party.

Frontline leadership challengers like Michael Heseltine and Michael Portillo joined the rest of the Cabinet in throwing their weight behind the Prime Minister as a full-scale contest became a near certainty.

The only word from Mr Redwood was a lukewarm message of support issued on his behalf — and he was reported to be spending the weekend mulling over a decision on whether to offer unequivocal backing.

There were also reports that two more ministers may volunteer to stand down from the government when Mr Major orders his reshuffle, giving him even more scope for a far reaching shake out.

Back at the Houses of Parliament Mr Leigh, believed to be the man behind the an abortive attempt to topple the Prime Minister last November, was seen deep in conversation with Mr Lamont as backbench manoeuvrings went into overdrive.

The ex-chancellor was playing his cards close to his chest but pointedly refused to rule himself out as a candidate.

Earlier Mr Hurd gave a huge boost to the Prime Minister with his startling announcement that he would retire from the Cabinet at the reshuffle expected in early July.

But the surprise move — privately demanded by the Tory Right as a way of moving the government towards a more Euro-sceptic position — was soon overshadowed by the first sign of cracks in Cabinet unity and the signals from the Lamont camp.

The ex-chancellor has been a bitter figure on the fringes of the party since being blamed and subsequently sacked for the economic fiasco of Black Wednesday in September 1992.

If he expected backing from his local party in Kingston upon Thames, however, he was mistaken.

Constituency chairman Ron Gill told PA News today: "My personal view is that John Major did the right thing and that it would be wrong, in the sense of fatal, for Norman Lamont to stand against him.

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"If he did not stand, perhaps he could then live to fight another day. It may be he is still totally undecided."

Mr Leigh, a former trade minister sacked by Mr Major, called for a proper leadership fight between Cabinet heavyweights.

"It has got to be serious election on the issues between serious heavyweight candidates of Cabinet rank," he said

"There is no point having a leadership election with a Mickey Mouse candidate. There is no point having a contest between an armoured car and a Mini Clubman, it's ridiculous."

His view looked to be gaining ground with right-wing backbenchers who are determined not to miss the chance to overthrow Mr Major — despite a warning from 1922 Committee Sir Marcus Fox chairman that a challenge would be a "futile gesture".

Mr Redwood was reported initially by BBC radio as failing to give full backing to the Prime Minister and intending to reach a decision on whether to offer his "unequivocal support".

His office responded with a statement widely interpreted at Westminster as falling some way short of enthusiastic endorsement.

It said: "The Secretary of State has been a consistent supporter of the Prime Minister since John Major became leader of the Conservative Party in 1990 and he continues to be a supporter of the Prime Minister."

The apparent confusion over Mr Redwood's intentions were seized upon by deputy Labour leader John Prescott tonight in a speech to Labour supporters in the Littleborough and Saddleworth constituency.

"The Cabinet unity John Major boasted of yesterday is collapsing," he said. "Cabinet unity is heading for the rocks and John Redwood is just the first in the queue ready to jump ship."

Every other member of the Cabinet, including all the leading right-wingers, offered forthright personal backing to Mr Major.

Campaign managers for Mr Major and senior ministers played down the significance of the turn of events and insisted the Prime Minister had the Cabinet's full backing.

Agriculture Minister William Waldegrave said on BBC Radio 4's PM programme: "I don't believe there is any question at all but that the Cabinet is united behind him. I think the Cabinet is fully behind the Prime Minister and so it should be."

Meanwhile, the Prime Minister stressed his determination to put an end to the "fevered mutterings" surrounding his future.

"What has happened in the last three years... the real political agenda of education, health, the economy has been absolutely extinguished by chatter about the leadership of the Conservative Party," he said.

"I have had enough of that and it is time we sorted out once and for all the leadership of the Conservative Party and got down to the real agenda.

"This is the right thing for the country, the Conservative Party and the right thing to get the agenda across to the nation."

Mr Major won powerful backing from Baroness Thatcher — whose sharp criticisms of Government policy last week are widely seen to have sparked the current crisis.

In a statement issued by her office, she said: "I fully support the Prime Minister and would vote for him if I were still a Member of the House of Commons.

"I hope that the matter will be resolved by a ringing endorsement of the Prime Minister as soon as possible."

Mr Hurd, stepping down as Foreign Secretary after six years, said the timing of his announcement was designed to "disentangle" himself from the leadership challenge and gave his strong backing to Mr Major.

In a statement, he said: "After 16 years as a minister, 11 of them as a member of the cabinet and nearly six as foreign secretary, I have decided that the time has come to retire.

"I have, of course, consulted closely with the Prime Minister. I told him in spring 1994 of my wish to retire this summer and I wrote to the Prime Minister in February 1995 confirming that this remained my intention."

The Prime Minister paid fulsome tribute to Mr Hurd for his "incomparable service" and in a letter released by Downing Street praised him as "an outstanding Foreign Secretary" who had earned deep respect around the world.

"You have been indefatigable and invariably calm in the face of exceptional demands," he wrote.

Labour leader Tony Blair said the announcement was further proof that the Conservative Government was in "terminal decline". Speaking at an engagement in London, he said: "This is a government that is now disintegrating by the hour, with these great offices of

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state simply being traded about in the leadership election in the Conservative Party."

And shadow foreign secretary Robin Cook added: "Douglas Hurd was the last decent, sane member left in the Cabinet. His decision to leave the Cabinet deeply damages the credibility of the Cabinet."

The nominations for the leadership ballot close next Thursday [29 June] and voting takes place on Tuesday 4 July.

Defence Secretary Malcolm Rifkind, in a rallying cry for Mr Major's campaign, told a meeting of Tories in Edinburgh tonight: "The Conservative Party in the country wants a clear and unambiguous endorsement of the Prime Minister as leader of our party.

"For months party workers, councillors and hundreds and thousands of ordinary members have been angry, frustrated and depressed at the disunity, back-stabbing and rumour-mongering.

"And now there is an opportunity to put that all behind us, back John Major and turn our united guns on the Labour enemy.

"We have a leader who is bold, courageous and with a deep determination to continue to serve his country. He deserves our support and we need his leadership.

"For too long Labour has had it too easy. Tony Blair fears a united, revived Tory Party and with good reason.

"John Major won us the last general election. Now we have the opportunity to win the next."

A Teletext phone-in poll of more than 2,000 people today found that 61 percent thought Mr Major should continue to lead the Tories. Michael Portillo was his closest rival on 15 percent, with Michael Heseltine on 9 percent, Norman Lamont on 7 percent, Gillian Shephard on 4 percent, Kenneth Clarke 2 percent and Michael Howard 1 percent.

Clarke-George Clash Over Interest Rates Revealed

MS2206125795 London THE GUARDIAN in English 22 Jun 95 p 19

[Report by Larry Elliott: "George Put Rate Rise Case in Triplicate"]

[FBIS Transcribed Text] Kenneth Clarke feared that higher interest rates would depress an already weakening economy when he turned down flat a request from Eddie George for dearer borrowing last month, it was revealed yesterday.

Minutes of the meeting on May 5 to discuss monetary policy reveal the full extent of the rift between the Chancellor and the Governor of the Bank of England, with Mr Clarke rejecting strong advice from Mr George that an immediate half-point rise in base rates was needed to combat growing inflationary pressures.

The Governor warned that Mr Clarke was storing up trouble for the Government, with the price of keeping base rates down in May the risk of an instant run on the pound and the likelihood of even dearer borrowing in the future.

But the Chancellor, weighing up the options on the morning after the Conservative Party's drubbing in the local elections, effectively accused Mr George of exaggerating the risks to inflation of leaving rates unchanged.

"The Chancellor thought that the decision was finely balanced, perhaps more so than the Governor had suggested," the minutes record Mr Clarke as saying.

His intervention came after a lengthy contribution to the meeting from Mr George, who gave three separate reasons why Mr Clarke should raise rates from 6.75 to 7.25 percent.

First, the minutes record, Mr George expressed the view that there was more risk of higher inflation than of economic overkill. "The inflationary risk was substantial, and considerably greater in his view than the risk that the expansion would be cut off, and the potential damage from accelerating inflation was likely in the end to be greater because it would simply be halting the expansion a bit further down the road."

Second, there was a risk to credibility if the authorities were seen to be prepared to take risks on the side of inflation.

"Given this country's history, inflation expectations and inflation itself were likely to accelerate because of that. That would risk undermining the best prospect of sustained, noninflationary growth for ages. And there would be a price to pay for that too in the longer-term in terms of a higher uncertainty premium on interest rates."

Finally, there was "an immediate market risk that be exchange rate would fall, perhaps sharply, if the expected interest rate rise was not forthcoming".

Mr George added that a plunge in the value of the pound could produce "significant upward pressure on rates which in the end would be difficult to resist".

The Governor concluded that without a rate rise the authorities could "be faced very quickly with a loss of credibility and a very difficult market situation." This

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analysis found little favour with Mr Clarke. He responded that growth was already slowing to a "sustainable rate", with retail sales growth "very restrained" and the housing market "subdued". There was, he added, "little sign of demand-led pressures".

Mr Clarke, who believes he has been vindicated both by the recent developments in the economy and the stability of the pound, saw few signs of new inflationary pressure, and said that the market expectations of higher rates were based largely on the 0.8 percent figure for first quarter growth (subsequently revised down to 0.7 percent).

He was wary of putting too much emphasis on a single figure, and summed up by saying that he was basing his judgment on "a broad assessment of all economic data, rather than market expectations". The City had tended to over-estimate the level of interest rates needed to hit the inflation target, and a rate rise was unnecessary and would "depress activity further when it was already slowing".

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Cabinet Approves Bundeswehr Deployment in Bosnia

LD2606074395 Berlin DDP/ADN in German 0659 GMT 26 Jun 95

[FBIS Translated Text] Bonn (DDP/ADN) — The German Cabinet this morning approved Bundeswehr deployment in Bosnia. This was announced by Foreign Minister Klaus Kinkel after a brief meeting.

Ruehe Plan

AU2406154895 Hamburg BILD in German 24 Jun 95 p 2

[Report by 'koc/rok': "Bosnia: Bonn Wants To Send 1,500 Troops"]

[FBIS Translated Text] The Rapid Reaction Force for Bosnia is finally taking shape: Defense Minister Ruehe wants to send 1,500 troops to Italy and Croatia.

If the Bundestag approves on Friday [30 June], 500 men will be sent to Split to set up a field hospital and 1,000 men plus 14 Tornadoes, 12 Transall transport aircraft, and two reconnaissance aircraft will be dispatched to Italy.

According to information obtained by BILD, the Bundeswehr rejects the idea of planned military sorties against Serb munitions dumps or armored units. The German Tornadoes are merely intended to fire at Serb missile positions as soon as their fire-control radar has been active for longer than three minutes.

Inside the Social Democratic Party [SPD], it is expected that the decision to go to Bosnia will be a defeat for party chief Rudolf Scharping. During the Bundestag vote, almost half the SPD deputies intend to vote with the Christian Democratic Union/Christian Social Union and Free Democratic Party for the deployment of the Tornadoes.

Kohl Interviewed on NATO, European Stability

WS2306133695 Poznan WPROST in Polish 18 Jun 95 pp 17,18,20,22

[Interview with German Chancellor Helmut Kohl by Piotr Cywinski in Bonn: "Europe Now"; date not given — questions published in boldface]

[FBIS Translated Text] [Cywinski] Chancellor, you last visited Poland five years ago. Has it not been too long an interval in the context of the Polish-German treaty on good-neighborly relations that was to open a new chapter in bilateral contacts?

[Kohl] First of all, I would like to stress how happy I am to be visiting Poland for the second time since 1989. Polish-German relations have improved considerably since then. This is also true of bilateral visits. In 1992, President Walesa visited Germany and I met with all the heads of the Polish government. In line with the provisions of the treaty on good-neighbor relations, the border treaty, and the official stances of both our states, we have made huge progress in the field of bilateral cooperation and in good neighborly understanding. The advancement of trans-border traffic, organizing cooperation between Polish and German youth, and most of all close-knit cooperation in the process of accepting Poland into the EU are just a few examples. I think we have not wasted time in improving Polish-German relations. My visit to Poland in July is to intensify the process further.

[Cywinski] Before Germany united, the Federal Republic was considered an "economic giant and a political midget." Today a lot more is expected of the Germans. How do you see the future role of the Federal Republic of Germany in world politics, what do the Germans want to do with the added responsibility that has been devolved upon it by the international community?

[Kohl] One should be very cautious in using the phrase "economic giant and political midget." The comparison was not entirely derogatory, and I still claim we were right in keeping politically restrained after 1945. We do have to assume greater responsibility on the international arena, yet it will never be based on unilateral action but on cooperation with our partners and friends. This is how we want to make use of the sovereignty we regained. The well-tried principles of German foreign policy will be retained, primarily Germany's close-knit relations with NATO and the EU. Our chief objective for the next few years — and still one of our vital interests — is augmenting the political unity of Europe. In the process of expanding, the EU we will not forget about our eastern neighbors, of which I would like to mention Poland in particular. Poland's western border cannot remain the eastern border of the EU for long. I will make every effort in order to overcome the current divisions in Europe and thus guarantee lasting peace and freedom. Also, we are for the gradual expansion of NATO, which should be closely linked with the expansion of the EU. NATO will remain a guarantor of our security in the future. In January 1994, NATO approached the states of Central and southeast Europe with an offer to establish a close partnership and announced it would accept new members in due time. The federal government co-administered and advocated this policy since the very beginning.

[Cywinski] Relations between the Federal Republic of Germany and the United States are often referred to by

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Washington as a "strategic partnership." What does that term mean to you?

[Kohl] The relations between the German and U.S. governments are excellent. Germans and Americans share a deep, sincere partnership and friendship. Post-war Germany owes a lot to the United States, more than to any other state in the world. We will be forever grateful for the support the United States gave us when we were uniting. After World War II, the United States extended a friendly hand toward us and offered substantial, humanitarian aid. For more than 40 years, together with other NATO coalition partners, they guarded our freedom against the Soviet threat. Approximately 15 million Americans lived in Germany at the time — soldiers and their families. They constitute a part of the strong foundation of trans-Atlantic relations and friendship between our nations. This friendship must be now strongly instilled in the hearts of the young generation. Now that Europe and Germany are no longer divided, we face a new challenge that we — Europeans and Americans — can meet only by working together. One of the most important objectives for the future is guaranteeing lasting freedom, democracy, and a market economy in the formerly communist parts of Europe. I am glad both Americans and Europeans acknowledge the gravity of that challenge, which we will meet in the name of joint responsibility for peace and freedom.

[Cywinski] The focal point of the Maastricht Treaty is the agreement on economic and monetary union. For the time being, however, only Germany and Luxembourg meet the convergence requirements. Mutual relations between the EU and national states are being discussed ever more often. Do you, as one of the most active advocates and fighters for a united Europe, believe that these plans can be implemented before the end of the century?

[Kohl] I am deeply convinced they can. Initially, however, the third stage of economic and monetary unity will not include all EU members. The requirements for joining the union — the so-called convergence criteria — are stringent. Only those who prove their ability and capacity to guarantee stable policies to meet those criteria can join the monetary union. Quality comes before quantity.

[Cywinski] Why do you stress the importance of having one European currency so much?

[Kohl] A monetary union naturally complements the internal European market. Only a joint currency can truly reveal the free- market competitiveness of prices. Eliminating the procedures of currency exchange would facilitate contacts between national states in the border regions. We can reap profits only when the monetary union becomes stable. That is why one of the most important provisions of the Maastricht Treaty is the one that places the future central bank of Europe under an obligation to safeguard the stability of prices.

[Cywinski] "By no means do we want the slowest ship in the fleet to set the pace for European development," you once said. Does this mean that some EU members will integrate more slowly than others?

[Kohl] Five years ahead of the turn of the century we are facing challenges and achievements that will be decisive for the future fate of Europe, and the importance of which is still often underestimated. My aim and that of the federal government is strengthening the process of European integration, advancing it, and enabling the EU to implement objectives in the future. With this purpose in mind, we intend to hold a an international conference in 1996. We know the starting position is not easy and that our partners differ somewhat in their visions of future European integration. My priority is to lead up to an accord and make huge progress on issues vital for the cause of European integrity with all our partners. These issues, to name just a few, include strengthening joint security and foreign policies, advancing and enhancing the effectiveness of the EU itself, deeply rooting democracy by refining it and propagating it among the people, implementing an aid project, deepening cooperation in the field of internal and legal policies. As for your question, I do believe that the slowest ship cannot set the pace for the entire fleet. If it turns out that not all members support more dynamic integration, we must allow those who are ready to go along with it to sail on. No one has the right to hamper imperative European progress for long.

[Cywinski] How do you envision European unity: as a union of states or — to use Churchill's expression — a "United States of Europe?"

[Kohl] Prime Minister Churchill's extraordinary vision — first formulated in his Zurich speech on 19 September 1946, — in which he spoke of establishing the United States of Europe made a huge impression on the young man I was at the time. One should realize the context of the times. After the horror of World War II, that vision embodied for my generation the objective that has branded my whole political career. I must admit, however, that the concept of the "United States of Europe" I have used so often caused a lot of misunderstandings among our citizens and among our foreign partners, particularly in Great Britain.

I never did perceive the "United States of Europe" as a mirror reflection of the United States of America. To me, it was a symbol of a huge endeavor targeted at counteracting the effects of nationalism and chauvinism,

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and a symptom of the emergence of new forms of cooperation. My objective could be summed up by the following: I do not want an integrated European state, I do not want united states modeled after the United States of America. What I do want is deepening European integration while retaining national states and rendering the process irreversible so as to guarantee stable peace, freedom, and social security in Europe. The triad of "birthplace-homeland-Europe" are of utmost importance for me. None of them can be separate. The future of Europe lies in mutual cooperation between states which will be able to retain their traditions and cultures. Thus, this would be more than an ordinary union of states; it would not be a federation, but a more unrestrained form. Perhaps the combined elements of both best illustrate the concept our Federal Constitutional Tribunal had in mind when making the decision on the Maastricht Treaty: a confederation of states.

[Cywinski] Following Maastricht, the new challenge is expanding the EU toward Central and East Europe. Your party colleague, Wolfgang Schaeuble, gives the year 2000 as a plausible date for accepting Poland to the EU. How long do you think this will take?

[Kohl] We agreed with our EU partners quite some time ago — and everybody acknowledges the role played by Germany — that the fledgling democracies of Central and southeast Europe, the history and culture of which have been inseparably connected with ours and are part of the joint European identity, should become EU members in future. For us, Poles and Germans alike — I would like to stress this strongly — there is no alternative to a shared future in a united Europe. In light of the experiences of this past century, I wish to emphasize that we would wrong history if we proved incapable of meeting the European challenge.

To attain that goal, however, we need to create the necessary conditions within the EU if it is to expand. A Europe comprised of 20 states cannot function on the same principles as a union of six states for which adequate institutional regulations were passed. Introducing the indispensable changes will be on the agenda of the international conference scheduled for 1996. There is one more thing I would like to state clearly: transforming states can join only when they are willing and truly able. Premature accession that overly strains the economic structures of a given state serves neither the candidate nor the EU. It would only generate additional problems. Therefore, it would it would be imprudent to give any specific dates on expanding the EU or to contemplate the possibility of the accession of a whole group of states. We must examine the condition and aptitude of each state separately and only then set a timetable. We would, of course, be very happy if the first states could join the EU at the turn of the millennium.

[Cywinski] Once Poland does meet the EU requirements, Western markets will have to open up to new competitors. The EU must therefore also brace itself for accepting new members. Subsidies to agriculture alone currently devour the lion's share of the EU budget. Will the admittance of new members not strain the EU finances?

[Kohl] Naturally, admitting new members implies the necessity of introducing changes within the EU for which it must brace itself. The examples of Greece, Spain, and Portugal have shown how difficult it is to integrate new member states with the EU, how difficult the budgetary problems are to overcome when there exist huge disproportions between old and new members. That is why the chief objective of the EU before it expands will be creating financial conditions expediting the inclusion of new members. Agricultural reform policies will certainly have to be continued as well.

[Cywinski] The second "pillar" of the Maastricht Treaty is a joint foreign and security policy which provides for defining the interests of Europeans jointly. Thus far, however, coordination has been only partially successful, as the helplessness in the Balkan case demonstrates. On what do you base your hope that European cooperation and its results on the international arena may be better?

[Kohl] We have always claimed that peace and freedom cannot be taken for granted by any means. They have to be continually secured anew because the direct threat of a conflict between the East and West has been currently replaced by the no lesser threat of the unpredictable conflict in the former Yugoslavia. The unification of Europe is and will remain the most effective shield against the flaring up of new ethnic conflicts. We will be able to secure our security and protect basic interests in Europe and in the world only if we display a readiness to act jointly, determinedly, and with consequence. This also relates to the need of making up for the errors that have been made in the joint foreign and security policy — as provided for at Maastricht — and creatively joining forces. We must also develop mutual European structures of security and defense and brace ourselves to take on a larger responsibility on the international arena. Finding adequate solutions will be the main aim of the international conference. You surely understand that I do not have any ready recipes in my pocket as yet, but I am — as you have rightly noticed — full of hope that during the conference we will take a huge step

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forward, especially as all our partners are well aware of the current deficiencies.

[Cywinski] Stabilization in Europe is impossible without constructive cooperation with Russia. You often refer to Russia as "Germany's big neighbor." Do you not have the impression that the states of Central and East Europe are afraid of a German-Russian rapprochement?

[Kohl] I think you have already answered that question yourself. It is true that stabilization in Europe is impossible without constructive cooperation with Russia. This belief underlies the attempts of the Federal Republic to enhance trust and cooperation between Germany and Russia. I am deeply convinced that relatively unruffled German-Russian relations do not violate the interests of Central and East European countries. I do, however, understand the fears of our direct eastern neighbors which are founded on negative historical experiences of German-Russian agreements. Those fears, however, are no longer justified. Over the last several years and decades, we have proved beyond any doubt with our policies that there will never be another German-Russian agreement that would be detrimental to the Central and East European states. The times of reaching agreements targeted against third parties in Europe are definitely over. Historical experience is inarguable. The future security of Europe may be based only on a far reaching parity of interests and on unprejudiced cooperation between all European partners.

[Cywinski] How do you see the future development of Russia? What can the Russians be offered if their fears of NATO expansion are to be alleviated?

[Kohl] I have often stressed that Russia is undergoing a lengthy and very complex historical transformation. That transformation, due to various historically founded situations, is far more difficult to execute in Russia than it is in Central and East European states. The profound political, economic, and social transformations are not linear. Impediments and setbacks cannot be eliminated. Under my leadership, the federal government has done a lot over the last years to support and protect the political and economic transformations in Russia. The main burden of the historical transition, however, rests on the shoulders of the Russian citizens. We have made a huge effort to bring Russia closer to international institutions. During the approaching G-7 summit in Halifax, President Boris Yeltsin will sit at the conference table. The practically settled issue of expanding NATO to include the reforming states of Central and East Europe that wish to join the pact has been discussed with the Russian leaders for some time now. We want to convince Russia that the expansion of NATO is not directed against it. European security is impossible without or against Russia. We, the Germans, together with our partners will do everything in the future to strengthen trust in mutual relations with Russia, to bring Russia closer to the Partnership for Peace and thus develop a special partnership between NATO and Russia.

[Cywinski] A cautious policy toward Russia is linked with fear that the nuclear superpower could be capable of making irrational decisions if it felt it was being "marginalized." Is Bonn decelerating NATO expansion on account of the Russian protests?

[Kohl] First of all, I do not think the Russian leaders would be capable of making "irrational decisions." I would like to stress once again that together with a wise and thorough preparation for the expansion of NATO, we should enhance the development of trust in relations with Russia. I mean both a sincere and open dialogue and a guarantee of complete frankness with Russia in making decisions on admitting new members to NATO. Nobody wants to "marginalize" Russia, but Russia has no right of veto on issues pertaining to NATO. In that sense, the Federal Government has no reason to "decelerate" NATO expansion.

[Cywinski] The German-French friendship is a model for German- Polish relations. The creators of a new reality on Germany's western border were such eminent individuals as de Gaulle and Adenauer or Mitterand and Kohl. Should we not make a greater effort to give Polish-German relations the same character?

[Kohl] I have already stressed in the very beginning that I am deeply convinced we have made a huge step forward in our relations over the last years. A lot still remains to be done, but we must be patient. The model of current German-French relations you referred to was not born overnight. Apart from extensive and purposeful political action, we also need wide exchange on all social levels. I am thinking, for example, of cooperation between schools, universities, associations, or gminas. In the future, I am also expecting a positive influence of cooperation between German and Polish youth on the growth of an understanding between our two nations, just as was the case of cooperation between German and French youth. I am very optimistic about Polish-German relations. We are on the right track.

The visit I will pay to Poland in July will be a strong stimulus for developing good relations based on trust between the Germans and the Poles.

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Kinkel on Security Council Seat, EU Issues

LD2606091495 Cologne Deutschlandfunk Network in German 0515 GMT 26 Jun 95

[Telephone interview with German Foreign Minister Klaus Kinkel at the European Summit in Cannes by unidentified correspondent in the Deutschlandfunk studio in Cologne — live]

[FBIS Translated Excerpt] [Passage omitted] [Correspondent] I assume you want to see Germany as a permanent member on the UN Security Council.

[Kinkel] That is right. At the moment we are not a permanent member, but we occupy the presidency until the end of the month. We want to become a permanent member, but that will take a little while. There are various options on how to expand the Security Council. This of course has to incorporate first the major Third World countries that are not represented on the Security Council. The Security Council reflects not the current world situation but the result of the Second World War, and this must be taken into account. I do believe that if there is an expansion we have every chance of being involved. [passage omitted]

[Correspondent] Every organization is as good as its current performance, and of course we have the crisis in Bosnia. This will also feature at the EU summit beginning in Cannes today. Do you think it will bring any progress? The situation is in a bit of a standoff, after all.

[Kinkel] We have undoubtedly failed to achieve peace in the region and are not having a very easy time of it. But we shall discuss again the scope for improving European common foreign and security policy in Cannes today.

On the other hand, people have forgotten that much has been achieved, not least with European involvement in the Contact Group, and in the military sphere as well, of course. Imagine what the situation would be without the deployment of UNPROFOR [UN Protection Force] troops, largely provided by our European partners and friends.

These are achievements which should not be forgotten, nor should our own very large humanitarian contribution. The cabinet will decide today to support the rapid reaction force of additional troops. [passage omitted]

[Correspondent] What do you expect from the EU summit in Cannes? There are many issues on the agenda, from aid to transport policy and a single currency, and according to one report all you do is talk about the small issues. What has happened to the great European visions?

[Kinkel] No, I do not think you can say that. Let me list the core issues: First, there is the further development of European Union's relations with Central and Eastern Europe as well as the Mediterranean. Now, you are right about the financial aspect. How much should the European Union pay to the Mediterranean countries? How much should go to the Central and Eastern European countries? We think proportionately more should go to the Central and Eastern Europeans because in contrast to the Mediterranean countries they want to become members of the European Union.

We will also be trying to reach agreement on the final unclarified issue regarding Europol, namely its links with the European Court of Justice. There will be preliminary talks on the European Union's further preparation for the third stage of economic and currency union, so we do have core issues as well as many others.

[Correspondent] But are you going to make any real progress? Is this summit not overshadowed by government crises in the United Kingdom and Spain?

[Kinkel] We will make progress. Of course there are problems in a number of European countries. There is no denying that. But I am fairly sure this will not have any effect on the summit issues and the results of the summit. The foreign and finance ministers and the other councils have prepared the summit in such a way that, barring a few undecided issues, the outcome is virtually secured so I do not see any impediments there.

[Correspondent] Thank you, Mr. Kinkel.

Halifax Summit Demonstrates End of G-7 Near

AU2306151795 Hamburg DIE ZEIT in German 23 Jun 95 p 27

[Commentary by Thomas Hanke: "A Mere Joke"]

[FBIS Translated Text] Even the most optimistic Third World activist would not have believed that the wishes dearest to his heart would be fulfilled so quickly: the abolition of the G-7, the exclusive club of the richest industrialized countries. The Halifax summit showed that its end is near. P-8, political cooperation with the inclusion of Russia, existed side by side with the G-7 on the basis of equal rights. This will not remain so. Chancellor Helmut Kohl stated clearly that it will not be possible to maintain this artificial division much longer. It is obvious "that the G-8 is coming."

This aging institution can no longer really be called a club of the rich. Already at this point, Canada should make way for China if one takes economic strength as a yardstick. Russia, however, would have to make way for a number of other countries: Brazil, Spain, South

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Korea, and probably also Mexico and the Netherlands. Thus, the maxim that political cooperation with the G-7 is desirable, but not full membership, was still being followed by the Federal Government until recently.

If this principle should be abandoned in the future and the doors opened for Russia, it will no longer be possible to find arguments against the acceptance of threshold countries whose economies are characterized by much greater dynamism and by more solid market-oriented structures than those of the successor states of the Soviet Union. With a view to the rule of law and respect for human rights, Russia is not more advanced. Concerning some of the traditional G-7 topics, including the stabilization of the exchange rates or the promotion of world trade, a country like Taiwan is a more competent partner for talks.

Already at this point, the G-7's credibility and capacity to act is damaged by the fact that the successful newcomers are not admitted to this circle. "The G-7 has become a mere joke: Because they are no longer the group of the strongest countries, they can no longer implement their plans," Shidrath Ramphal stated at the alternative summit, "The People's Summit," in Halifax. Together with Swedish Prime Minister Ingvar Carlsson, Ramphal headed the "Commission on Global Governance," in which Saxony Minister- President Kurt Biedenkopf also participated, on behalf of the UN secretary general.

The commission drafted reform proposals for international institutions: In its report entitled "Our Global Neighborhood," it suggests, among other things, that the G-7 should be turned into an economic security council. It should comprise representatives from all regions on the globe and try to ensure a balanced development of the world economy. "In abstract terms, the G-7 understands that it must integrate other countries, but it does not have the political will to do so," Ramphal stressed. The former secretary general of the Commonwealth believes that, ultimately, emotional reasons are also involved: It is difficult for Europeans, Americans, and the Japanese to share power with Third World countries that have made rapid progress. In Halifax, they were not even willing to talk about it.

However, this cannot be avoided in the long run. Numerous critics voiced their dissatisfaction in the runup to the Halifax meeting and during the summit about how the institutions controlled by the G-7, the IMF, and the World Bank, are working today. In an open letter, 1,100 parliamentarians from throughout the world, including the members of the Bundestag Committee for Economic Cooperation and Development, demanded that, when granting loans and drafting adaptation programs for Third World countries, the IMF, and the World Bank should ensure to a much greater extent that education and health are given sufficient attention, that the rights of the workers are respected, and that small loans are available for poor sections of the population. The Canadian lower house passed a resolution, calling on the G-7 to make more intensive efforts to stabilize the exchange rates and to monitor critical developments in the capital markets more efficiently. In so doing, it must not limit its activities to its own exclusive club, but other countries must also be included on the basis of equal rights. One cannot deny the other peoples the democratic participation in the several-year- long reform process, as a result of which the international institutions should adapt to the changed conditions in the world economy. Until recently, such demands were only put forth by activists in the sphere of development and environmental protection. Today they can also be heard in the parliaments of the G-7 countries.

The nongovernmental organizations were also represented in Halifax with a motley crowed. In a final communique, the "People's Summit" demanded, among other things, that international monetary speculations should be combated more vigorously. The organizers regretted the fact that they could not hand over the document to the heads of state and government. However, French State President Jacques Chirac listened to them. Chirac wants to assume a pioneering role in the fight against speculation: "The question is not whether we can fight against it but whether we want to fight against it. Monetary speculations are the AIDS of our national economies."

Yet Chirac did not tell the summit how the infection can be prevented. Also, he refrained from demanding a tax against monetary speculation, as Nobel prize winners James Tobin and the Canadian government had suggested. His populist statements made it clear that the G-7 is desperately trying to combine two positions: On the one hand it prepared a final communique during months of lengthy secret discussions, and on the other it wants to shed the image of a conspiratorial community and wants to respond to topical trends and influence them.

Yet this can hardly conceal the inability of the G-7 to agree on convincing and practical proposals for the reform of the international institutions, the stabilization of the financial markets, and the promotion of long-term development. Once Russia is fully integrated, the G-7 process is likely to fray even more. If the Club of Seven should dissolve in this way, one should not regret it too much.

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Office Chief Criticizes EU Mergers Approval

AU2306152695 Munich SUEDDEUTSCHE ZEITUNG in German 23 Jun 95 p 23

[Report by "old": "Competition Law Should Not Be Undermined"]

[FBIS Translated Excerpt] Berlin — Federal Cartel Office President Dieter Wolf has come out in favor of a more intensive decentralized application of the European competition law. On the occasion of the presentation of the Federal Cartel Office's 1993-94 progress report, he called for a "balanced division of labor between the EU Commission and the member states, which act on their own responsibility in this field." With his advance Wolf wants to prevent more and more merger projects from being decided in Brussels, and no longer in Berlin. He criticized the EU Commission's practice of approval as too generous.

At the same time the Cartel Office president called for the establishment of a European Cartel Office. "A basic decision in favor of such an independent office would be useful," Wolf told journalists in Berlin. In connection with the discussion about amending the law against restraint on competition, which is planned by the Federal Government, Wolf defended himself against the accusation that the antitrust law is no longer up to date. Even though a harmonization with European competition rules is necessary, the goal must remain "to preserve the high importance that the protection of competition has in the order system of the social market economy."

During the 1993-94 period under review 3,078 company mergers took place. Compared with the record figure in 1992-93, which was characterized by the great number of mergers due to privatization in the new laender, the number of mergers has declined by about 20 percent. If the special effect of German reunification is eliminated, the number of mergers reported to the Federal Cartel Office has remained constant since the beginning of the 1990's, at about 1,200 per year. During the 1993-94 period under review seven mergers were prohibited in formal procedures. There were relatively few large-scale mergers.

The guardians of competition are particularly worried by the power and energy market. The still strongly monopolistic structure in the energy sector and the almost complete network of area protection contracts is one of the main reasons for the fact that energy supply is relatively expensive in Germany, compared with other European countries, Wolf stated.

In addition, the process of concentration in the waste disposal sector has continued. Compared with the 1991-92 period, in 1993-94 the number of mergers went up by 85 percent to about 260. The 10 largest companies, which are active in the field of waste disposal services, have a big share in these mergers. [passage omitted]

Roth First Directly Elected Frankfurt Mayor

LD2506190095 Berlin DDP/ADN in German 1752 GMT 25 Jun 95

[FBIS Translated Text] Frankfurt/Main (DDP/ADN) — The CDU [Christian Democratic Union] politician Petra Roth will become the new Mayor of Frankfurt am Main. In the first direct elections for the office of mayor today, Ms. Roth received 51.9 percent of the votes, thus achieving the necessary absolute majority of the votes in the first round. Andreas von Schoeler, the SPD [Social Democratic Party] candidate and former mayor of Frankfurt, received 45.9 percent, according to the provisional final result. The turnout was 55.8 percent.

Poll Shows Disappointment With Unification

AU2606081895 Munich SUEDDEUTSCHE ZEITUNG in German 24-25 Jun 95 p 10

[Unattributed report based on the Politbarometer poll of approximately 2,000 voters in eastern and western Germany by the Mannheim Election Research Group for ZDF: "The Road to Unity — Rather Disappointing"]

[FBIS Translated Text] In the past few weeks, the political atmosphere in Germany has deteriorated for the Christian Democratic Union [CDU]/Christian Social Union [CSU], while the Social Democratic Party of Germany [SPD] has not been able to benefit from it. Developments in western and eastern Germany are again contrasting: The CDU suffers a serious loss of support in the west, while it clearly gains in the east. The Free Democratic Party of Germany [FDP] can slightly improve its position in the west, while the atmosphere in the east remains unchanged for it. The SPD also gains slightly in the west; in the new laender, support for it remains constant. The Greens again improve their position slightly in the west, while there are no changes for them in the east.

In the nationwide political atmosphere in June, the CDU/CSU achieves 41 percent (2 percentage points less than in May), while the SPD gains 36 percent as before, the FDP slightly improves its position to 3 percent (plus 1 percent), and the Greens now get 14 percent (plus 1 percent). All other parties together get 7 percent as before, among them the Party of Democratic Socialism [PDS] with 3 percent (minus 1 percent) and the Republikaner with 1 percent as before. In the "projection," where the political atmosphere measured in the topical studies is translated into an election result,

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there are no changes, as compared to the previous month. If a new Bundestag were elected next Sunday, there would again be the following situation: the CDU/CSU gets 42 percent, the SPD 36 percent, the FDP 4 percent, and the Greens 10 percent. The PDS gains 4 percent — just like all other parties taken together. Thus, a Red-Green Alliance would again have a parliamentary majority — however, on the assumption that the PDS does not get into the parliament via direct mandates.

Satisfaction with the performance of the present Federal Government has not changed in June. It gets a rating of 0.1 on a scale ranging from plus five (very satisfied) to minus five (very unsatisfied. For the first time this year, the respective mark for the work of the SPD as an opposition party is clearly better: 0.5 (after 0.2 in May).

The popularity of the 10 German politicians who are, in the opinion of the interviewees, most important, which is measured on the same scale, has only slightly changed in May. Wolfgang Schaeuble, Helmut Kohl (most clearly), Norbert Bluem, Klaus Kinkel, and Gerhard Schroeder get slightly better ratings, while those of Rita Suessmuth and Rudolf Scharping are somewhat poorer.

West and east Germans assess the question of whether the FDP has become superfluous after its repeated failures in landtag elections in a different way. In the west, a majority of 56 percent does not think that the liberals are superfluous, while 39 percent are of the opposite opinion. On the other hand, in eastern Germany a majority (53 percent) is of the opinion that this party is no longer needed; 46 percent think that it is not superfluous.

One reason for the fact that almost half of the Germans think that the FDP is superfluous is possibly the poor assessment of the FDP's work in the government. Accordingly, only 19 percent are of the opinion that the FDP pushes through its own political ideas in the Bonn coalition. The east and west Germans agree on this judgment, as well as on the opinion that the FDP is only an appendage of the CDU/CSU in the coalition (72 percent of the west Germans and 75 percent of the east Germans). The supporters of all parties largely agree on that in the whole of Germany. Even 66 percent of the FDP voters say that the party of their choice does not push through political ideas of its own in Bonn.

Only a few believe that the crisis atmosphere for the FDP will change a bit because of Wolfgang Gerhardt's election as new chairman. Twenty percent think that an upswing for the party is more likely now; 7 percent are of the opposite opinion, and 55 percent do not expect any major changes. While the majority of the supporters of the CDU/CSU, the SPD, the Greens, and the PDS are of this opinion, the adherents of the FDP are far more optimistic; 62 percent of them believe that things will be looking up with the FDP because of Gerhardt's election.

In June unemployment is also by far the most important topic in Germany. However, its importance has perceptibly decreased in the west: With two possible answers to the question about the currently most important problem, which was, as always, asked without guidelines, 52 percent mention now unemployment in the old laender, while it were still 64 percent in May.

The assessment of the general political situation in the new laender by the east Germans themselves has hardly changed since May; 36 percent think that the situation is bad, 58 percent characterize it as partly good and partly bad, and 6 percent say that it is good. As in May, 32 percent of the east Germans assume that the situation in the west will change within one year, 57 percent do not expect a change, and 11 percent fear a deterioration.

The CDU/CSU Is Regarded as More Competent

When the competence for the solution of the economic problems in the east is at issue, a government headed by the CDU/CSU has now again a clear lead on one headed by the SPD; 30 percent believe that a CDU/CSU Government can better cope with economic problems; 19 percent think the Social Democrats more capable.

For months, the east Germans' assessment of their own economic situation has hardly changed, that is, it is far better than that of the general economic situation. In June, 39 percent regard their personal economic situation as good, 49 percent say that it is partly good and partly bad, and 12 percent are dissatisfied.

The assessment of the course of the unification process is mainly negative, particularly in the east. In the west, this process progresses better than expected for 21 percent; 36 percent think that its course is in line with their original ideas, and for 39 percent the progress of unification is worse than they originally assumed. The east Germans are even more critical in their judgment: Only 16 percent view the course more positively than originally assumed. For 36 percent, it corresponds to their expectations, but for 47 percent the progress of unification is worse than they had originally believed. The personal expectations that a bare majority (51 percent) of the east Germans placed on unity have been fulfilled. Almost just as many (48 percent) consider their personal hopes placed in unity as not fulfilled.

In May there were speed limits in some laender because of high ozone values. This meets with the Germans' broad agreement; 77 percent in east and west are in favor of such limits, only 21 percent are against them. East (80 percent) and west Germans (76 percent) agree

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on it. This also applies, though to a different extent, to the supporters of the parties represented in the Bundestag. There is particularly wide agreement among the supporters of the Greens (91 percent) and the SPD (83 percent), but the majority of the supporters of the CDU/CSU (69 percent), the FDP (60 percent), and the PDS (78 percent) is also for speed limits in the event of ozone alarm.

The proposal to permit only cars with catalytic converters in the event of ozone alarm also meets with very broad agreement; 73 percent are in favor of it nationwide.

Finally, a majority also advocates the closing of the city centers in the case of ozone alarm; 75 percent agree to this proposal in the west and 74 percent in the east.

Fifty-one percent of all Germans are of the opinion that the United Nations should increase its military intervention in Bosnia- Herzegovina; 14 percent advocate the maintenance of the present commitment, and 28 percent are in favor of the blue-helmets' complete withdrawal.

The proposal to also employ Bundeswehr soldiers in the UN protection force in Bosnia meets with less agreement; 45 percent advocate it and 51 percent are against it. There are great differences between west and east Germany. In the west support (48 percent) and rejection (46 percent) are approximately balanced, while in the east a clear majority (70 percent) is against a German commitment.

Court: BKA May Not Store Personal Data

AU2606084195 Frankfurt/Main FRANKFURTER RUNDSCHAU in German 24 Jun 95 p 1

[Report by "ari/gux": "The BKA Is Storing Too Much Data"]

[FBIS Translated Text] Kassel — The Federal Criminal Office [BKA] may not store personal data because there is no legal basis for storing such data in the BKA central computer. This was the ruling issued by the Chief Administrative Court [VGH] in Kassel on 23 June. The Kassel judges based their decision on the 15 December 1983 "census ruling" of the Federal Constitutional Court, which called upon legislators to create a legal basis for the storage of all kinds of data. This legal basis still has not come to pass. Twelve years have gone by and the period of grace granted by the VGH Court at that time has expired, explained the VGH. Therefore, by virtue of the absence of the relevant legal basis, the BKA no longer has the right to store personal data.

According to the Kassel ruling, this applies at least to data that stems from, for example, discontinued investigative procedures (so-called data on suspect persons). Whether the BKA will continue to store "on an exceptional basis" data on people with a heavy criminal record despite the absence of the legal framework "for the sake of the common good" has not been decided by the VGH.

The cases in question, over which the Sixth Senate issued a ruling, concern criminal investigations that were subsequently discontinued. The BKA stored data on a man who was suspected of shoplifting in the middle of the 1960's and who was subjected to investigations. The investigations were subsequently abandoned. Another plaintiff was the subject of criminal investigations and the data was entered into the BKA computer. Later, the investigations into him, too, were discontinued. Nevertheless, on several occasions later, when he tried to cross the German border or was stopped by traffic police, he was detained for several hours each time.

The VGH has now decreed such methods of data collection illegal. The criminal procedures code permits only the creation of documents for identification purposes such as fingerprints and photographs. But neither this code nor the 1973 BKA Act provide the legal basis for the storage of personal data, claims the VGH. It is unclear whether the planned amendment to the BKA Act will provide a sufficient legal basis.

Wilhelm Rydzy of the Data Protection Office for Hesse says that an application for the deletion of data must be made on an individual basis, as in the cases at hand. In other words, the VGH sentence does not mean that entire BKA data banks must be erased.

Ministry: Iraq Seeking Nuclear Products

AU2606115395 Hamburg BILD AM SONNTAG in German 25 Jun 95 pp 35, 36

[Report by "bm/F.W.": "Warning to industry against Iraqi shopping list"]

[FBIS Translated Text] According to the findings of the German authorities, Saddam Husayn wants to buy products that are usable for "nuclear purposes" from western European firms. The Iraqi dictator seems to have his sights set primarily on German firms.

A high-ranking official in the Education Ministry has confirmed this news to WELT AM SONNTAG. He referred to a note from the Federal Intelligence Service [BND]. The information was examined by Section 5b-4 for Foreign Trade Control and then passed on as a classified matter to the top associations of German industry.

Because the product information is in English, it is possible that foreign intelligence services, and not

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just the BND, supplied this information to the Bonn Economics Ministry.

Basically, the matter involves state-of-the art machine tools and equipment that, in the opinion of experts, could be used for the manufacture of gas ultra-centrifuges and components for the separation of isotopes.

The warning letter from the Ministry says literally: "It cannot be ruled out that, during its procurement activities, Iraq will try to maintain its former supply relations and, directly or via middlemen, address companies that have already delivered the relevant goods to Iraq in the past (...)."

The officials consider it possible and likely that Husayn will use cover firms in India, Pakistan, or Jordan to conceal the country that places the orders because Iraq has been under a UN embargo ever since the invasion of Kuwait in August 1990.

Husayn's shopping list contains a total of 25 products of 11 different types, together with the exact millimeter diameters and lengths required and technical axle specifications.

The list contains, among other things, computer-controlled precision lathes, five-axled machines for mill-cutting and turning, high-precision measuring machines, drilling and polishing machines, and machines that can bore through and cut the housing of electric motors horizontally.

According to the experts, in theory, some 300 German enterprises could act as suppliers. In 1994, tool machine manufacturers achieved a turnover of 10.4 billion German marks, and over half of these firms employ less than 250 people. They exported about 65 percent of their products. India is one of the 15 largest recipients of German machine tools, and it is receiving more and more.

With this move, the Iraqi dictator, who is politically shattered at home, hopes for a rapid end to the UN embargo in order to consolidate his crumbling authority. Russia, France, and China have already signalled that they again intend to vote in the UN Security Council for an end to the embargo.

Government To Discuss Russian Plutonium Disposal

AU2606131595 Hamburg WELT AM SONNTAG in German 25 Jun 95 p 4

[Report by Wolfgang Pollack: "Solms: A Unique, Irretrievable Opportunity"]

[FBIS Translated Text] Hanau — There are plans for Germany to dispose of a large part of the Russian plutonium resulting from nuclear weapons. This project is part of a proposal that the Federal Government wants to discuss next week.

The topic of the 16-page document, which was drafted by eight ministers, is nuclear disarmament policy, in which Germany has been included by Washington and Moscow because of its central position. Above all, Americans and Russians see an opportunity here for the speedy and safe processing of 120 metric tons of weapons-grade plutonium from Russia worldwide: at the mixed oxide (MOX) plant of the Siemens company in Hanau in Hesse. There the weapons-grade plutonium could be processed into fuel elements that generate electricity in nuclear power plants.

"This is a unique and irretrievable opportunity for Germany to make a significant contribution to the disarmament and peace policy," Hermann Otto Solms, chairman of the Bundestag group of the Free Democratic Party of Germany [FDP], told WELT AM SONNTAG.

For the purpose of nuclear recycling, an international operating company, in which the United, Russia, and Germany, will be represented among others, is to be founded before the end of the year. There are plans for the operating company to rent the Siemens plant for the elimination of the plutonium. "Profits that result for the company from the sale of the fuel rods to owners of nuclear power plants, should mainly be used to help Russia," Solms stated.

Against the backdrop of an insecure political situation in Russia, the United States in particular is urging Bonn to agree to this solution for the elimination of weapons-grade plutonium. In Washington's view, the German method has the advantage that enormous expenditure is required to transform MOX fuel rods back into fissile material that can be used for military purposes. Russia in turn expects hard currency as a result of the renewed use of the plutonium in the high-quality MOX fuel rods and of their possible use in European nuclear power plants in the next few decades.

However, to ensure the realization of the international disarmament plans, Bonn must overcome a major obstacle: The red- green government in Hesse has already

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rejected the plans. The discussion about processing the Russian plutonium in Hanau was discarded as a "phantom debate" by the red-green politicians. FDP politician Solms stressed that "a federal order will be issued for Hesse if the land government should oppose the international disarmament efforts."

According to Solms, detailed plans have already been worked out for the transport of plutonium from Russia to Hanau and back again. Then the fuel rods will be finally stored on CIS territory.

However, the disposal of plutonium might not come about because the power supply companies do not want to accept further delays. They are threatening to withdraw their funds from the MOX plant on 30 June because it is not clear whether the Hesse government will permit its operation.

Under pressure from the Federal Government, a final decision on the future of the MOX plant is to be postponed until 30 September. Norbert Mook, works council chairman at the Siemens plant, hopes "that the plant worth 1.1 billion German marks will not be scrapped." A total of 500 jobs are involved and would be preserved if the plant continued to exist.

BND Cooperated With Chinese After Tiananmen

AU2606130795 Berlin BERLINER ZEITUNG in German 23 Jun 95 p 7

[Report by Andreas Foerster: "Spy Help for China's Secret Service"]

[FBIS Translated Text] Only a few days after the massacre on Tiananmen Square in Beijing, the Federal Intelligence Service [BND] agreed on closer cooperation with the Chinese intelligence service.

Beijing, on the night from 3 to 4 June 1989 on Tiananmen Square: Tanks were rolling over barricades and armed security forces were shooting at the masses who had for days gathered for a peaceful protest in the Beijing center. Only a few days after the bloody Sunday, several dark limousines with covered windows rolled through the door of the BND headquarters in Pullach near Munich. The convoy took a high-ranking delegation of the Chinese intelligence service to the former Rudolf Hess estate.

According to information from the BND, which is available to BERLINER ZEITUNG, the envoys agreed on close cooperation during a secret meeting in June 1989. The focus was on two aspects:

1. Exchange of information between the two services. The guests from Beijing were primarily interested in information on the organizations of Chinese living in exile in Germany. In return, the BND was able to develop its listening facilities at the Chinese- Soviet border.

2. Support for China in the procurement of intelligence service electronics.

The Chinese delegation returned satisfied to Beijing. Electronic parts were ordered to a value of 20 million German marks. The BND conveyed Beijing's wishes to the Munich company Rohde and Schwarz, among others. In 1991 the firm delivered "Direction-Finding System PA O55" antenna systems, which were installed on the roofs of houses in several big Chinese cities. With these antenna systems, one can keep diplomats, foreign journalists, and dissidents under surveillance and tap their conversations.

To BERLINER ZEITUNG, the FRG Chancellor's Office neither wanted to confirm nor to deny the visit of the Chinese delegation to the BND in June 1989. The office of Intelligence Service Coordinator Bernd Schmidbauer stated that "no information is provided on visits of delegations to the BND and contents of talks."

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Chirac To Submit B-H 'Action Plan' in Cannes

AU2606105295 Paris AFP in English 1008 GMT 26 Jun 95

[FBIS Transcribed Text] Paris, June 26 (AFP) — France will submit an action plan for Bosnia to its European Union partners in Cannes late Monday [26 June], presidential spokeswoman Catherine Colonna said here.

She said President Jacques Chirac had put the finishing touches to the plan before leaving for Cannes on Monday.

France will seek support from the other 14 EU members for an initiative in conformity with the "firm line" it has been pushing militarily and diplomatically since the hostage-taking crisis involving United Nations peacekeepers last month, Colonna said.

On the ground, French peacekeepers on Monday fired two heavy mortar salvoes on a Bosnian Serb cannon that resumed attacks on a UN convoy.

Colonna added that contacts were taking place Monday between Paris and EU capitals on the action plan, which, if agreed by the 15, would be handed to Sweden's Carl Bildt, the EU's negotiator for Bosnia, for implementation.

Chirac held a lengthy meeting here on Sunday with Bildt, who had just returned from his first mission to former Yugoslavia. Bildt will attend a dinner of EU foreign ministers Monday night, before joining the table of heads of state and prime ministers.

Colonna gave no further details on the Chirac plan, but Chirac met with a group of intellectuals on Friday to discuss Bosnia and said one of his priorities was the lifting of the Serb siege of Sarajevo.

Millon on Nuclear Testing, Rapid Reaction Force

BR2306142495 Paris PARIS MATCH in French 29 Jun 95 pp 54-55

[Interview with Defense Minister Charles Millon by Laurence Masurel, Jean-Pierre Biot; place and date not given: "Millon: Rapid Reaction Force Can Respond and Carry out Combat Actions in Bosnia"]

[FBIS Translated Text] [PARIS MATCH] What are the real reasons that prompted the president to decide to resume nuclear testing? Did some of the experts' reports express alarm?

[Millon] The real reasons are, first, the quest for peace; second, the assertion of national independence; third, sovereignty. Jacques Chirac wants France to be among the nations that will sign the treaty establishing a definitive ban on nuclear testing at the end of 1996. This, because he knows that the proliferation of nuclear weapons would be worrying, if not disturbing, for the future of the world. At the same time he wants France to remain a major power. He therefore wants to guarantee the nuclear deterrent force, which is the foundation of its defense. It is an act of independence, which requires that our weapons be reliable, effective, and safe in the long term. Therefore it is essential that France should possess scientific information that will enable it to replace life-size tests with laboratory simulations. And if Francois Mitterrand had not unexpectedly suspended...

[PARIS MATCH] Was it really unexpected? Perhaps he thought that his successor would remedy the matter.

[Millon] It was unexpected, because if he had planned the decision he would certainly have taken enough time to ensure that simulations could be carried out. It must also be stressed that Francois Mitterrand talked in terms of a suspension, not a final halt. He was doubtless worried about the consequences of his decision, because in 1993 he established a committee to consider whether or not to resume nuclear tests.

[PARIS MATCH] Is it true that our nuclear system was in danger of becoming obsolete by the year 2010?

[Millon] At present most scientists believe that there is an aging phenomenon that affects nuclear weapons and that may make them obsolete. It was mainly to avoid this danger that the president made this decision.

[PARIS MATCH] But nobody can know what the state of the world will be in 2010 or 2015. If we are able to carry out simulations they could also make it possible to change the nature of our nuclear weapons.

[Million] Indeed, nobody can predict how the world will be in 10 or 20 years' time. History shows that we should be cautious: In 1920 a number of undoubtedly respectable intellectuals and politicians argued in favor of world disarmament, and 20 years later it was... 1940. A president's mission, role, honor, and greatness depend on his ability to take account of the long term in his decisions. As for whether these simulations will make it possible to envisage other kinds of weapons, I can assure you that this is not the intention of the president or the present government. There is no question now of the political leaders devising, as some say, miniaturized weapons, theater weapons, or "decapitating" weapons. So there is no change of doctrine.

[PARIS MATCH] Do you already have a clear idea of how the program of explosions will be carried out?

[Millon] They are subject to political, climatic, and meteorological conditions. At the political level we want France to be able to sign the treaty banning

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nuclear tests at the end of 1996. Furthermore, as far as climatic and meteorological conditions are concerned, we know that between September and March there are fewer disturbances — cyclones, and so forth. Last, the number of tests has already been decided. The president announced them, with a great desire for openness. There will be eight explosions, and they will be carried out before 31 May 1996.

[PARIS MATCH] Do you expect violent responses from the countries of the Pacific? The French consulate in Perth, Australia, has already been bombed...

[Millon] I am very surprised by the media campaign being organized by a number of countries against France, and the absence of a campaign against China, which has been carrying out tests for years without ever having accepted a moratorium. This is a case of a double standard.

[PARIS MATCH] There will be a commemoration of the 10th anniversary of the Rainbow Warrior incident, and indeed Rainbow Warrior II has just been fitted out. Is the Defense Ministry not worried about such demonstrations?

[Millon] No! We will enforce the law and security. As for some people's excessive taste for media campaigns, I doubt whether this is the best way to defend their beliefs. I would simply point out that if we really want peace, we must sometimes prepare for war.

[PARIS MATCH] Are you prepared to explain these decisions to the Australians, New Zealanders, Japanese, and Koreans...

[Millon] Whenever I have the opportunity to explain France's decisions I will do so. I have already contacted my European counterparts. .. During the past week I had relatively deep talks with my U.S. counterpart. Everyone understands France's decision. In any case, they do not have to approve or disapprove it, as they themselves admit, since it is a matter that lies within our sphere of sovereignty, our own national area of responsibility. But I gained a very strong impression that, within the context of the development of NATO, of a vision of European defense for the future, the European nations are well aware that it is necessary for a European nation such as France to possess the nuclear weapon and for it to be reliable, safe, and effective.

Nuclear Tests in September

[PARIS MATCH] Have you had contacts with the Japanese, Australians, and New Zealanders?

[Millon] I have not, but if the president asks me to develop certain contacts in order to explain our decision, I am quite willing to do so. I know that the foreign minister has made contact with those countries. I am convinced that in this specific field feelings must be abandoned in order to return to reason.

[PARIS MATCH] It is being said that the test site has aged greatly, that it has not been maintained properly, that it has become obsolete...

[Millon] The site of the test center in the Pacific has continued to be maintained since the moratorium decision. Since there was only a suspension of nuclear tests, the French scientific and military authorities took the precaution of not disbanding the teams that could conduct test programs. Last, all safety measures will be adopted to ensure that these tests are conducted under the best possible conditions. In other words, the same conditions that have already been observed in the past. It should be recalled that international committees have gone to survey the Mururoa site. And these committees — which included New Zealanders, Australians, scientists some of whom were for, others against, nuclear tests — were able to see that neither flora nor fauna had been affected, that there were no substantial changes following the underground nuclear tests.

[PARIS MATCH] Nevertheless some people argue that tests have already caused faults in the coral reef around Mururoa...

[Millon] What I can say, as defense minister, is that in the future, after the eight explosions, committees of experts, both national and international, will be able to carry out whatever examinations they want.

[PARIS MATCH] The tests will be starting after the anniversary or Hiroshima...

[Millon] They will be starting in September 1995.

[PARIS MATCH] Let us move onto the former Yugoslavia. What can you tell us about the imminent arrival of the Rapid Reaction Force [RRF], which is responsible for the safety of the Blue Helmets?

[Millon] I am sorry that clear and steadfast measures were not adopted more rapidly. And I am glad that on his election Jacques Chirac said that it is necessary, first, for France to have a clear stance. Also, that there must be no displays of weakness. That it must be stated very quickly that there will be a response to violations of human rights through acts of barbarism and terrorism. This is what happened at Vrabanja bridge. Thanks to this statement, there has been above all a psychological change — and this was essential! President Chirac wanted to establish a psychological, political, and military balance of forces. This is what justifies the decision to create the RRF, adopted by the

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15 defense ministers of the countries that contribute to UNPROFOR [United Nations Protection Force], which met in Paris 3 June. Its role is to protect UNPROFOR's mission, to enable it to provide supplies, to act as a buffer, to regroup, to open up a particular area. The RRF will be able to respond, to conduct combat operations if necessary against anyone trying to hinder the Blue Helmets' mission. A new balance of forces has thus been created that will, I hope, make it possible to undertake an efficient search for a political solution. This, because everyone knows that the solution in Bosnia is not military, but diplomatic.

[PARIS MATCH] Is the RRF's mission to free Sarajevo?

[Millon] No, its aim is to enable UNPROFOR to carry out its tasks.

[PARIS MATCH] Does that include lifting the siege of Sarajevo?

[Millon] UNPROFOR's mission is to ensure free circulation and therefore to prevent any blockades.

[MATCH] Sarajevo is blocked from the road to Pale, the capital of the Bosnian Serbs, because all their command and supply centers are in Pale.

[Millon] It is not that road. Sarajevo has two points at which its isolation can be broken. The first is the airport. And I salute UNPROFOR's action since the start of the conflict, because it has succeeded in keeping it an international airport. The second is roads. The idea of a corridor extending from Sarajevo to Split was examined by General Smith. This corridor could be established by the UNPROFOR, and the RRF will be there to enable it to resist whoever might hinder its action. In fact this is the difference between a combat force and a peacekeeping force.

French Command and U.S. Aircraft

[PARIS MATCH] One of your predecessors, Mr. Messmer, said that in his opinion the Armed Forces' role is one of constraint and force, under orders from the political authorities, and that their role in Bosnia perverted it to some extent, when it resulted in an image of France characterized by a broom and dustcloth.

[Million] We created the Rapid Reaction Force chiefly because it had become intolerable to continue seeing our soldiers dishonored, ridiculed, and humiliated. We are very well aware that soldiers sometimes have the task of accompanying supply convoys, lifting sieges, or acting as buffers. But we can never accept their being dishonored or humiliated. This is why in the matter of Vrabanja bridge I echoed the president's order, through the UN chain of command, to resist and to respond wherever we could.

[PARIS MATCH] Could you give any details of the timetable for the RRF?

[Millon] We await a decision from the Security Council. We note that the United States has accepted the principle of this RRF, though it is discussing how it should be funded.

[PARIS MATCH] Could it prove expensive for the French and British if the United States does not contribute to the funding of the RRF?

[Millon] We will see to the matter of funding later, whether payments by participating countries will be subsequently reimbursed by the United Nations or whether the United Nations will pay for it directly, with a contribution from the participating countries. The British and we French want the RRF to have troops fighting in their own uniforms, with their own command, under UN operational control. We do not want there to be any confusion with the Blue Helmets' mission.

This is why we want the decision to be made very soon at the UN level, because the British, French, and Irish troops are ready now to be deployed on the ground.

[PARIS MATCH] Will it have a French command?

[Millon] Yes. General Soubirou has been appointed commander of the Rapid Reaction Force, with a British assistant.

[PARIS MATCH] How many men will the RRF include?

[Millon] Some 4,500 to begin with. As you know, the British have placed a brigade on alert, and we have placed 4,000 men on alert... Overall, it could total 10,000 if necessary.

[PARIS MATCH] How much will it cost us? There is talk of 60 million francs a month.

[Millon] This is indeed the estimate that has been made.

[PARIS MATCH] Are you not afraid that the Americans will do the same as in Rwanda? They lent us their aircraft and then sent us the bill.

[Millon] This time the Americans have decided to grant us total air cover. Both their aircraft and their funding. This is what has been agreed.

[PARIS MATCH] When will you go to Bosnia?

[Millon] In the next few days. I was waiting for the hostages to be released, for there to be not a single one left. And when security conditions permit.

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[PARIS MATCH] If the situation in Bosnia deteriorates, will you proceed with the operation for the withdrawal of France's Blue Helmets?

[Millon] That would be the last resort. If we see that indeed nobody wants us there, that security is impossible to guarantee, it will mean accepting defeat.

[PARIS MATCH] So is it possible to envisage the Blue Helmets' withdrawal?

[Millon] We do not want this at the moment. But it would really be the last resort and a serious failure on the part of the international community.

[PARIS MATCH] How long do the various plans examined envisage for bringing back the whole French contingent?

[Millon] Two or three months.

Ministry Denies Making Deal on Bosnia Hostages

AU2306123095 Paris AFP in English 1152 GMT 23 Jun 95

[FBIS Transcribed Text] Paris, June 23 (AFP) — France denied Friday [23 June] it had made deals with the Bosnian Serbs on the release of UN peacekeepers detained in the recent hostage crisis.

The French Foreign Ministry said officials had met with "all parties concerned" in the crisis but denied a NEW YORK TIMES report which said that France had secretly negotiated for the release of the more than 350 peacekeepers held by the Bosnian Serbs.

French officials "put across, in various ways, France's firm position: the immediate and unconditional release of all the hostages," Yves Doutriaux, a spokesman for the ministry said following the daily's report.

The NEW YORK TIMES on Friday quoted unidentified western officials as saying two meetings took place between General Bernard Janvier, the French commander of UN forces in former Yugoslavia and Bosnian Serb commander Ratko Mladic during the hostage crisis — June 4 in Zvornik and June 17 in the Serb stronghold Pale.

French General Bertrand de Lapresle, the former commander of UN forces, was also sent from Paris to Bosnia to meet with Bosnian Serb leaders on the hostage issue.

Throughout the ordeal, France and its Western allies insisted that no private deals would be made with the Bosnian Serbs and that the release of the more than 300 UN peacekeepers captured in reprisal for NATO air strikes would have to be unconditional.

In Sarajevo on Friday, the UN Protection Force (UNPROFOR) said it had held "discreet meetings" with the Bosnian Serbs during the recent hostage crisis, but would not confirm the newspaper's report that France had secretly negotiated for the release of peacekeepers.

UNPROFOR spokesman Alexander Ivanko said a meeting had taken place in the middle of the hostage crisis, but would not explain how this fitted in with the stated UN policy of demanding the unconditional release of more than 300 peacekeepers.

"There was a meeting on the 4th of June, that is all we can say," Ivanko said.

Rapid Reaction Force Commander Profiled

BR2206142095 Paris LE FIGARO in French 22 Jun 95 p 3

[Article by Xavier Gautier: "Negotiations in Belgrade — Bosnia: Rapid Reaction Force Under Deployment"]

[FBIS Translated Text] General Andre Soubirou, who is about to assume command of the Rapid Reaction Force (RRF) in Bosnia-Herzegovina, knows his future theater of operations well. Last year this Saint-Cyr educated soldier and former member of the foreign legion was in command of the 4,500 Blue Helmets deployed in Sarajevo.

In the besieged capital, this brigadier general participated in the international community's last attempts to resist Serbian provocation. In addition to the ultimatum sent to the Pale leaders after the Markale market massacre in February 1994, a 20-kilometer "heavy weapon exclusion zone" had been created around Sarajevo. Today, it is effectively dead.

'Patching up'

Two months later, General Soubirou and his commanding officer, British General Michael Rose, the head of the UN Protection Force [UNPROFOR], were powerless to prevent the fall of the Gorazde Muslim enclave, in the country's eastern region.

The French general, who had been endlessly striving to establish cease-fires only to see them systematically broken, had then commented that "the UNPROFOR cannot endlessly patch up Bosnia's wounds." And yet the Gorazde episode was only the first of a long series of indignities inflicted on the Blue Helmets by the Serbs.

Today, this 50-year old man is back in Bosnia. He now has the equipment he complained he lacked in 1994. Tomorrow, the main part of the French contingent will land in the Croatian port of Ploce. This tactical group — based on the 2nd regiment of foreign ground soldiers (REI) as well as logistical elements of the rapid intervention force (FAR) — will be integrated in a

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multinational force consisting, among others, of British artillerymen and Dutch soldiers.

Officially, the brigade is meant to "help the UNPROFOR perform its mandate." In fact, the mission of the 12,000 men making up the RRF will be to protect the Blue Helmets, whose mandate has now all but evaporated. They are expected to deploy in the south of Bosnia and to become operational by mid-July.

A year ago, General Soubirou said he was happy to be able "at least to save civilian lives." He has now been made the head of the UNPROFOR's bodyguards.

Chirac To Promote European Aerospace Industry

BR1306130595 Paris LE MONDE in French 13 Jun 95 p 16

[Report signed "G.B." and "M.L.": "Mr. Chirac: Aerospace Policy Is 'Both A National And A European Imperative'"]

[FBIS Translated Excerpt] "An ambitious development policy" that is "both a national and a European imperative" were the words used by French President Jacques Chirac when opening his first official engagement in that capacity, the 41st Le Bourget Air Show. The significance he was trying to get across at this opening no doubt gave rise to hopes among the leading businessmen in the industry in the light of Chirac's express desire to strengthen both the French-German axis in the space industry and all forms of European cooperation on aeronautical projects. At a time when Aerospatiale is trying to set up two joint ventures to do with satellites and missiles together with the German company DASA [Daimler-Benz Aerospace AG] and when France is endeavoring to secure British commitment to the French-German Tigre helicopter program, these words uttered by Jacques Chirac, who had met with British Prime Minister John Major the day before, were rather reassuring.

Furthermore, Aerospatiale CEO Louis Gallois was clearly satisfied, as if the issues had made progress in the right direction. Jacques Chirac's commitment to the "European preference, which is both natural and necessary" and his denunciation of monetary manipulations "to which we all too frequently fall victim" were also comforting to business leaders at a time when the U.S. aeronautical industry is hardening the terms of competition, mainly by profiting from a favorable dollar exchange rate.

Nonetheless, leading European businessmen are profiting from the current air show to unveil several successes. On Monday 12 June, the Airbus Industrie consortium announced 30 orders for its A-319, a small jet capable of accommodating 120 passengers. These orders are shared between Air Canada and Lufthansa, with the former deciding to convert 10 options into firm orders and the latter, on the same day, signing an order for 20 aircraft which had already been announced in March. The aircraft in question will be fitted with engines built by CFM International, a joint venture owned by the French engineering company SNECMA and the U.S.-owned General Electric. [passage omitted]

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Andreotti: U.S. 'Attitude to Iran Should Change'

BR2206141995 Rome LA REPUBBLICA in Italian 22 Jun 95 p 4

[Interview with former Prime Minister Giulio Andreotti by Barbara Palombelli in Rome on 21 June: "Andreotti: The idea of Building a Mosque? It Started With King Faysal"]

[FBIS Translated Excerpt] Rome — [Passage omitted] [Palombelli] So, in your opinion there is no Islamic threat?

[Andreotti] We must not confuse violent fundamentalists with something which constitutes a rich and interesting world. Unfortunately, people are not very informed on these subjects. Dialogue will, I hope, help to understand a culture that many people know nothing about...

[Palombelli] Why did you start touring the Middle East again?

[Andreotti] I received three invitations: from 'Arafat in Gaza, and I seized the opportunity to visit Peres in Jerusalem; from the Syrian President in Damascus; and the third was from the Iranian Government in Tehran... I have been exchanging views with these personalities for many years, now I am not doing so in an official capacity...

[Palombelli] Are you trying to become some sort of shadow foreign minister?

[Andreotti] No, not at all. I informed Foreign Minister Agnelli before and after. I do not want to replace anybody. However, some of these problems must be cleared up, sometimes misunderstandings arise...

[Palombelli] For example?

[Andreotti] I believe the Americans' attitude to Iran should change. They are afraid that the construction of two nuclear power stations implies manufacturing arms, but the Iranians flatly rule this out, and are prepared to give all the necessary guarantees. The Americans should examine the situation more closely: During the war between Iran and Iraq, many European countries were wrong to back Iraq 100 percent... Later, after the occupation of Kuwait, they changed their mind. Iran, however, had done its duty. The aircraft fleet which Iran impounded from Iraq is still there to be seen, at the airport... they never gave those planes back.

[Palombelli] Will you convey this message to the United States?

[Andreotti] I have told Foreign Minister Agnelli and I will also tell some of my acquaintances in the U.S. Congress; I can do no more than that...

[Palombelli] You are critical of U.S. foreign policy.

[Andreotti] It is their ever changing system which leads to oversimplification in foreign policy: The turnover is very quick, their ambassadors are not politicians... They should trust their allies more...

[Palombelli] The campaign against you started in the American newspapers...

[Andreotti] I do not believe this is a problem involving the government. Unfortunately, in America the Mafia carries considerable weight, and the Mafia does not punish those who cease helping it, as some people claim, but those who have fought against it.

[Palombelli] Are you perhaps touring the world to forget Palermo [where Andreotti is shortly to stand trial]?

[Andreotti] Since I know that the charges against me are completely unfounded, I have no reason not to devote myself to issues for which I have some credit, at international level. And I find doing so enjoyable.

[Palombelli] An approach based on dialogue seems to be back in favor also in Italian politics ...

[Andreotti] I have observed that some people are now beginning to realize that an electoral alliance does not automatically become a government alliance...and I am also glad to see that everybody is condemning the lower-house electoral law. You would think it had been devised in Nicaragua...

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Minister: Unlikely Troops To Be Sent to Bosnia

LD2306123195 Lisbon RDP Antena 1 Radio Network in Portuguese 1200 GMT 23 Jun 95

[FBIS Translated Excerpt] The defense minister today said that the Portuguese forces being trained in Sao Jacinto, Aveiro, will only go to Bosnia if there is to be a UN withdrawal from the former Yugoslavia. Figueiredo Lopes visited Viseu this morning. Let us hear more about it from Fatima Pinto:

[Pinto] The defense minister said in Viseu today that the Portuguese troops will only go to Bosnia to support the withdrawal of the UN contingent. However, Figueiredo Lopes hopes that will not be necessary:

[Begin Lopes recording] We hope that Portuguese troops will never have to be sent to Bosnia. In the meantime, Portugal is ready to help — should it be necessary, but we hope it will not — the withdrawal of UN forces. We have 900 people being trained in Sao Jacinto to enable them to participate in that mission. From what we can gather, they will not be needed, they will not be sent to Bosnia. [end recording] [passage omitted]

Articles Discuss EU Issues, Referendum

95P20858

[FBIS Media Note] Talk of a referendum on the European Union (EU) has recently surfaced in Portugal, linked to the review of the Maastricht Treaty in 1996, wrote Alvaro de Vasconcelos in the 24 May Lisbon daily PUBLICO. The Communist Party (PCP) and the Center Social Democratic/Popular Party (CDS/PP) have already campaigned for a referendum, voices in favor of a referendum are heard in the Socialist Party (PS) and the governing Social Democratic Party (PSD) as well. Vasconcelos expressed his conviction that referenda will be held in many European countries if the 1996 Intergovernmental Conference (IGC) conducts a significant change of the treaty. Countries with a long referendum tradition such as Ireland, Denmark, Austria, Sweden, and Finland will "certainly" hold such votes, Vasconcelos contended. Referenda may be held in Holland and France, but one is unlikely in Great Britain. Germany is the only country where such an initiative is not envisioned because it is seen as a tool that may endanger representative democracy. A referendum is probable in Portugal as well despite the PS and the PSD's "reticence." The need for it stems from the weakness of the European Parliament, Vasconcelos wrote. The participation of parliament representatives in the IGC is "positive," he continued, as is the interest of national parliaments in the European process. However, there is general agreement that the European Parliament and most of the national parliaments can have only limited influence on the reform of the treaty. As a result, negotiations for the revision of the treaty will labor under the difficulty that every succeeding referendum will represent a right of veto on what was negotiated and agreed upon by all the governments, Vasconcelos commented. Faced with the challenge of proving their negotiations were correct, these governments must adopt reforms responsive to their citizens' aspirations and demands. The issue of whether a member country can exclude itself from a given policy and if so, the consequences for both that country and the others will have to figure on the agenda of the IGC, along with the issue of the circumstances in which a group of member countries can forge ahead while leaving others behind, Vasconcelos concluded.

According to an unattributed article in the 13 May Lisbon weekly SEMANARIO, Portugal will assume a "defensive" position in the 1996 IGC. Both the parliamentary majority and government circles are convinced that Portugal will be unable to improve on Maastricht in the defense of its interests. The government will therefore adopt a position defending the status quo won at that time. Given the near-certainty that the IC's principal function will be EU enlargement, the issue of a two-speed Europe may create serious problems for Portugal, which lacks the attributes to be in the vanguard. A redistribution of the cohesion funds would also affect Portugal negatively.

The leader of the Socialist Party (PS), Antonio Guterres, recently returned from Northern Europe convinced that "Portugal will not be alone in defending its interests within the revision of the Naastricht Treaty in 1996," wrote Jose Antonio Saraiva in the 13 Nay EXPRESSO. In his meetings with the prime ministers of Sweden, Finland, Norway, and Holland, Guterres discussed the IGC and EU enlargement. In his opinion, while support for Southern European countries must be maintained, the democratization of the decision process should not be carried out against the interests of medium- sized countries, for there should be no "first-class" or "second-class" nations. Guterres appeared to seek stronger ties with the rich northern countries to set up a negotiating strategy more favorable to Portugal on institutional issues, the article asserted.

In an article in the 22 May Lisbon daily DIARIO DE NOTICIAS, Vasco Rato contested the anti-European positions adopted by Manuel Monteiro, leader of the CDS/PP. While rejecting the current organization of Europe, Monteiro avoids specifying what he wishes to build. His vague proposals are "inconsequential" and the "clearest expression of the policy of resentment" articulated by his party. When advocating an "opting

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out," Monteiro is well aware that were this initiative adopted by other member countries, the EU would become a "Europe a la carte" where cohesion would disappear, Rato contended. While Monteiro's "phobia" with regard to Germany is well known, said Rato, he must surely be aware that bringing down the EU would free Germany and increase insecurity throughout the continent.

PSD Intraparty Doubts, Malaise Assessed

95P20859

[FBIS Media Note]

Cavaco Silva's Warning

According to Aurea Sampaio writing in the 22 May Lisbon daily PUBLICO, Cavaco Silva's recent warning to the PSD about a "lack of party cohesion" underlines the urgency of the party's problems, given the prime minister's "rigorously-observed decision" not to involve himself in party affairs. The PSD's February congress that elected Nogueira as a party leader did not solve the party's problems, Sampaio continued. Intraparty divisions are proved by the fact that half of the government is turning its back on the other half, half of the parliamentary group does not accept the proposals of the political leadership—such as Nogueira's suggestion about "transparency" among deputies—and a substantial part of the party mistrusts the other. At present there is a "curious dichotomy" in the PSD, where there is talk about "us and them," Sampaio remarked. The differentiation is between the supporters of Nogueira and those of Minister of Foreign Affairs Durao Barroso, the losing candidate at the February congress.

The PSD's difficult situation was also highlighted when U.S. Ambassador Elizabeth Bagley called on Carlos Carvalhas, leader of the Communist Party (PCP), thus conferring a "democratic status" to it, Sampaio continued. It is "strange" that the U.S.'s overture coincided with public opinion polls foreseeing the possible advent of a government led by the Socialist Party (PS) but dependent on PCP support. U.S. officials would certainly not have contacted Carvalhas unless they thought that a change in Portuguese politics is "imminent," Sampaio asserted.

Guterres as Candidate

PS leader Antonio Guterres has turned into the most probable prospect to become the next prime minister, wrote Jose Antonio Saraiva in his "Politics Portuguese-Style" in the 20 May EXPRESSO. The turning point was the February PSD congress, when Cavaco Silva voluntarily withdrew and the leadership passed to Nogueira. Guterres, seen as the only actor on the political scene whose position remained unchanged, started inspiring the trust and credibility denied him in the past. Nogueira's difficult task is to avoid being identified with the government while "detouring" Guterres from the road to the prime ministership, Saraiva concluded.

Daily Profiles Guterres, Nogueira Aides

95ES0289A Lisbon SEMANARIO in Portuguese 20 May 95 p 7

[Article by J.T. and F.M.B.: "Guterres and Nogueira: Their Esteemed Close Friends and Enemies"]

[FBIS Translated Text] Guterres' closest colleagues are, in this order, Jorge Coelho, Antonio Vitorino, and Pina de Moura. "He can't do without them." Nogueira has brought his bosom buddies, headed by Marques Mendes, into his "political bureau." Left out were the "southerners, elitists, and liberals." Guterres also has his mavericks.

Guterres: Friends Forever

When he does not want to comment on a matter—a rare occasion—Guterres is in the habit of saying: "I haven't even talked to Jorge Coelho about that yet." He means that there is nothing more to say. The subject is taboo. Jorge Coelho is always the first to know. The "apparatchik," as he does not like to be called, controls the party federations, and not just the FAUL [Lisbon Urban Region Federation] over which he actually presides. He is up to date on all conflicts, "has a lot of power," and is also facing a delicate task: it is he who will draw up the slates of deputies before Guterres puts the final touches on them. Coelho came from the former MES [Movement of the Socialist Left]. He did not start to become well known in the PS [Socialist Party] until Soares appointed him assistant secretary to the governor of Macau. On his return, he was made a deputy. A personal friend of Sampaio's, he tries to keep the lines of communication open between the two men who were opponents in 1992. It was his idea to establish an enlarged secretariat comprising all factions.

Antonio Vitorino is Guterres' man for "special missions." Guterres took him from the Constitutional Court to head the PS slates for the European Parliament. He coordinated the first task force for the general conference. He is currently responsible for the "Government Program." Guterres has known him since the day when, at 16 years of age, he joined the PS and distinguished himself in the Alvalade section back in 1974. The waves of the PREC [ongoing revolutionary process] carried him to a short stay in the FSP [Popular Socialist Front] and then the UEDS [Left Union for Social Democracy]. In the latter, he headed the faction supporting the merger

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with the PS and was the first to leave. He was secretary of state for parliamentary affairs in the Central Bloc government. In 1989, he was PS coordinator of the second constitutional revision.

Joaquim Pina de Moura was coordinator of the PCP [Portuguese Communist Party]—"a good coordinator," according to his former comrades—until the late 1980's. He left with the so-called critics. And, like Jose Luis Judas and Barros Moura, he came to the PS. At the general conference, he was Guterres' right-hand man. Before that, he had persuaded the latter to take a few risks. Such as running Jose Luis Judas in Cascais, "a bourgeois stronghold," and Osvaldo de Castro in Marinha Grande. Guterres considers him a genius as a strategist and an extremely efficient organizer. In other words, "a right-hand man."

"Untamable and Untamed"

As his wet blanket, the secretary general of the PS has Carlos Cabral, head of the slate for Aveiro, a native of Coimbra, and a protester by birth. He has "created problems" for all the leaders, but only once did he fail to be a deputy—like Guterres—in the years of the rebellion by the former secretariat. He is an eccentric and does not ask the party's permission to do anything whatever. Feared at PS headquarters, he is strong in Aveiro. But he will not be a minister.

Antonio Barreto has resisted all urgings to share power with the new leadership. His personal ideas, specifically on the subject of a desirable electoral alliance with the PCP, do not please the leader, who believes piously in the possibility of a government by the "PS alone." Or one "accompanied" by independents. Barreto, who is active in the media, is to Guterres what Pacheco Pereira is to Nogueira. Fortunately for the Socialist leader, he stays out of the PS' day-to-day affairs.

Lopes Cardoso is one of those who does not forgive Guterres for removing Sampaio from the leadership. With his campaign manager, he raises the stakes in the "presidentialist" initiatives whenever Guterres tries to assert himself as the only contender on the field by sending out the message that "the important thing is the legislative elections." If Guterres wins, there is a greater chance that Cavaco Silva will wind up in Belem Palace [office of the president]. Lopes Cardoso thinks that the most important thing is Sampaio. Sampaio shares that view. Guterres is devouring his kibitzers one after the other.

Nogueira: The President's Men

Luis Marques Mendes is the "black pope" of the Nogueira group. He started out as Eurico de Melo's chef de cabinet. Later he rose to secretary of state. Cavaco Silva recently made him a minister. He has extended his realm of influence and his power in the government and the party. With Cavaco Silva's departure, he became one of Nogueira's first supporters. Having won the congress, the current leader gave him the role of "thinker" for the Nogueira group. He is one of the top men in Fernando Nogueira's "political bureau."

Eduardo Azevedo Soares came from the Ministry of the Sea to the PSD General Secretariat, thus following the prescribed course for a converted Nogueira supporter. Before that, he had been in the Secretariat of State for Cooperation and had served on Cavaco Silva's political committee until the 1992 congress. He enjoys political debate and is viewed by his fellow party members as being a pragmatic individual. Like Guterres, he supports the principle of "KISS" (keep it stupid and simple [preceding words published in English]), meaning, as the saying goes, don't complicate something that works.

Luis Filipe Menezes is the public face of the Nogueira group. He is viewed as one of the best organizers of election activities and campaigns. One of the most important spots in the PSD leader's political structure was reserved for him, but a political blunder barred him from that. Along with Nogueira and Marques Mendes, he determines the party's political strategies. He is a member of Nogueira's "bureau," and it is said that the Ministry of Territorial Administration is reserved for him if the PSD wins the elections in October.

Fernando Lima is the link between Cavaco Silva and Fernando Nogueira. His task is all the more difficult since it is known that the PSD is moving increasingly into the opposition. From being a reporter for the JORNAL DE NOTICIAS in Porto, he became Cavaco Silva's press adviser. He kept scoring points with the prime minister and became one of the political thinkers working for Cavaco Silva. The result was that he was part of Cavaco's famous task force and then moved over to Nogueira's "political bureau."

Jorge Alves da Silva is the man in charge of Nogueira's political marketing and image. He often spends days in isolation listening to classical music and waiting for inspiration. Waiting for a few good ideas that will enable the leader to "make a splash" setting him apart from his opponents. He experiences politics passionately and is rigorous when it comes to timing and the achievement of defined goals. Nogueira has made him a member of the "political bureau."

Outsiders

Jose Pacheco Pereira has been transformed from the PSD's ideologist into Nogueira's most up-front oppo-

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nent. He was born politically into communism, but became disillusioned. A few years of activism transformed him from a lycee teacher into one of our best known politicians by the hand of the PSD. Some say he is making hay for the future. Others do not hesitate to say that if the PSD loses the elections, he will be pointed to as one of those responsible for its defeat.

Rui Machete "does not accept the idea of being a second-class deputy." As a result, he will not run for deputy in the elections this October. All because of the legislation regarding transparence on the part of holders of political office. He has been a member of the PSD since his days with the PPD [Popular Democratic Party]. He was a member of the famous "troika" that headed the party after Pinto Balsemao's downfall. Never a supporter of Cavaco, he assumed the role of political tribune. And devoted himself to the Luso-American Foundation. A position that may be in danger after October.

Alvaro Barreto is the patriarch of the so-called "southerners, elitists, and liberals." He himself admits those qualities to anyone who will listen. He was besieged by requests to run for leader against Nogueira, but declined. He continues to be a reference point for the party, which he represented in the government for 11 years. His supporters include Leonor Beleza, Marcelo Rebelo de Sousa, and Pedro Santana Lopes, among others.

Polls Measure Maastricht, Economy, Politics

95P20836A

[FBIS Media Note] A variety of poll results appeared recently in the Portuguese press, measuring the popularity of parties and politicians and gauging public opinion on subjects such as a referendum on the Maastricht Treaty revision, the economy, and the "exclusivity" measure advocated by Social Democratic Party (PSD) leader Fernando Nogueira, which envisions that the deputies should not hold other positions besides their parliamentary seats.

Parties' Popularity

The 26 May Lisbon weekly O INDEPENDENTE published the results of a METRIS poll conducted 20-22 May among 1,206 individuals in 114 localities. Results showed that the Socialist Party (PS) remains ahead of the PSD, preferred by 41.3 percent of the respondents (41.1 percent in April), while the PSD was the choice of 32 (29.7 percent in April). The Communist Party (PCP) dropped from 8.8 percent in April to 6.7 percent, and the Center Social Democratic/Popular Party (CSD/PP) rose from 5.8 percent in April to 6.6 percent in May.

According to the 27 May Lisbon weekly SEMANARIO, a "mega-poll" commissioned by the PSD among more than 1500 people nationwide (no further details) revealed the two major parties in a virtual dead heat, with the PS two percentage points ahead of the PSD. The poll was conducted at the end of April.

Politicians' Credibility

The 27 May Lisbon weekly EXPRESSO published the results of an EXPRESSO/Euroexpansao poll conducted among 439 individuals between 22 and 24 May. Results indicated that the public has a poor opinion of politicians. When asked whether politicians are "serious," 60 percent said "few or none" are, 36 percent said they are "serious for the most part," and 4 percent did not know or did not answer. "Should all politicians be prevented from holding another position?" was the next question. With regard to members of the government, 89 percent of respondents replied affirmatively and 10 percent negatively. With regard to deputies, 78 percent answered affirmatively and 21 percent negatively. The third question asked respondents whether parties lie about their funds and expenses. For the PSD, 76 percent thought parties lie, compared with 12 percent who did not. For the PS, 73 percent replied affirmatively and 15 percent negatively, with results practically similar for the CDS/PP and the PCP.

"Bad" Economy Seen

The same METRIS poll above asked respondents their opinion of the country's economic situation. A majority (59 percent) thought it is "bad" or "very bad," 35.9 percent said it is "resonably good," 3.5 percent see it as "good," and 1.6 percent did not know or did not answer.

Referendum on EU Treaty Favored

According to the METRIS poll, 53.7 of the respondents favor a referendum on the text of the Maastricht Treaty that will come out of the 1996 Intergovernmental Conference (IGC). Only 6.9 percent rejected the idea, while 39.4 percent had no opinion. According to the article accompanying the poll results in the 26 May O INDEPENDENTE, Euroskeptics and many convinced Europeanists agree that the next steps of the European Union (EU) must be "cautious." Internal political conditions have changed in a number of member countries, and the "federalist temptation" seems to have receded.

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PCP Leader Interviewed on Party Policies

95ES0290A Lisbon DIARIO DE NOTICIAS in Portuguese 21 May 95 pp 4-7

[Interview with PCP Secretary General Carlos Carvalhas by Joao Fernandes and Luis Delgado, place and date not given: "Support for PS Only if Guterres Changes"]

[FBIS Translated Excerpt] Carlos Carvalhas' likability overcomes all prejudices. And incidentally, it is interesting how that is the private trademark of Portuguese Communist leaders.

Alvaro Cunhal is an affable man, a master at cutting irony, and easy to contact in person.

Carlos Carvalhas is the same kind of person. He has an empathetic, relaxed, and sober personality.

Perhaps because of all that, the Communists are more difficult to wear down. It is clear that the public image also comes through in the interview. And in that respect, the secretary general did not surprise anyone: he was impersonal and spoke in a monotone, as always.

The PCP's [Portuguese Communist Party] big battle in the upcoming legislative elections will be to defeat the Right (the PSD [Social Democratic Party]) and the "right-wing policy" proposed by Antonio Guterres. To that end, Carlos Carvalhas wants a strong vote for the CDU [Unified Democratic Coalition] so that Communist deputies will be able to influence a possible Socialist government having a relative majority.

There are no major differences between the PSD and the PS [Socialist Party], and if the Socialists win the upcoming elections, they will continue the "right-wing policy." The man saying that is PCP leader Carlos Carvalhas. Communist support for a possible Guterres government is therefore seriously in question.

As far as the Communists are concerned, PS proposals in the economic area are practically identical to those implemented over the past 10 years by Cavaco Silva. The thing that distinguishes Antonio Guterres from the PSD—according to Carvalhas—is the mechanism established to deal with the social problems that that same economic policy is tending to create.

For that reason, the secretary general of the PCP says in this interview with DIARIO DE NOTICIAS that Communist support for a possible Guterres government will depend upon a thoroughgoing change in the direction being taken by the PS. And in Carvalhas' opinion, that will happen only if Parliament includes sizable representation of the CDU. In other words, the PCP will cooperate only with a government whose course of action it will be able to influence profoundly.

On the subject of the presidential election, Carvalhas is not showing his hand. He is convinced that Cavaco will enter the race, but he refuses to say whether the Communists will have a candidate or, on the contrary, choose to support Jorge Sampaio.

Revision of the Maastricht Treaty, the return of the large national economic groups, the "health" of the PCP, and the "package" on political transparence are other subjects discussed in this interview.

[DIARIO DE NOTICIAS] Will the PCP's strategy for the upcoming legislative elections be to defeat the PSD or to prevent the PS from winning the elections?

[Carvalhas] What we want is to defeat the Right (PSD) and also the right-wing policy. We are not at all interested in seeing the right-wing policy come back to life on the seventh day. The CDU still counts when it comes to defeating the PSD, but anyone who wants to defeat the right-wing policy will find his best guarantee in the election of CDU deputies. The more deputies we have, the more guarantees there will be that the PS will not find itself free to pursue a right-wing policy.

[DIARIO DE NOTICIAS] Would it be in the PCP's interest for the Socialists not to win an absolute majority?

[Carvalhas] I don't believe there is going to be an absolute majority. The PS has been asking for an absolute majority—for absolute power—but the Portuguese people have experienced these years of absolute power and the results are there to see: governmentalization of the state, authoritarian power, vote-getting gimmicks, and all the phenomena of corruption.

[DIARIO DE NOTICIAS] Do you recognize that the PS is different from the PSD?

[Carvalhas] The PS is a different party with a different political base, but what we also see is that from the standpoint of economic and social policy, there are not, unfortunately, any major differences. It is a Socialist official in the area of finance who says that there are more similarities than differences between the PSD and the PS. The official in the health area says the same thing, and when the PS leader states that he is an economic liberal but admonishes the social area, what he is saying basically is that he is going to pursue a policy very similar to that of the PSD in the economic area. What we say is that you cannot have harmful economic policies while also having favorable policies in the social area. The one depends on the other. [passage omitted]

[DIARIO DE NOTICIAS] How do you analyze Antonio Guterres' credibility as a candidate for prime minister?

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[Carvalhas] There is no candidacy for prime minister, and we do not get involved in evaluating persons. A basic issue in politics is honesty. Because of that, we do not sow illusions, nor do we promise everything to everyone. We do not promise one thing to the big money barons and then promise something else when we are with workers. If the PS continues on that path, it will naturally end up losing credibility.

[DIARIO DE NOTICIAS] Assuming that the PS has a relative majority following the legislative elections, how much PCP involvement might there be?

[Carvalhas] For us, the basic issue is the program, the policy, and, naturally, the government members who will implement that policy. The basic issue for the country is a change in policy.

[DIARIO DE NOTICIAS] Speaking specifically, what stand will the PCP take?

[Carvalhas] The basic issue is a change in policy—a change in direction. Naturally, we will not give our votes to a government that is basically pursuing the same old policy. In other words, the word "support" can be eliminated from the dictionary. The PCP will never "support" a government that changes its face but basically continues to pursue the same policy.

[DIARIO DE NOTICIAS] So you are ruling out PCP support for a PS government?

[Carvalhas] That word can be eliminated. We are prepared to cooperate in the implementation of a new policy, specifically at the government level. We are not prepared to write blank checks or, as we usually say, to be the PS' cane.

[DIARIO DE NOTICIAS] But don't you admit the possibility that the PS might adjust its policies and make a few concessions in a scenario such as that?

[Carvalhas] What I admit is that the PS might change the direction of some of its choices, something that would be good for Portugal, the Portuguese people, and the workers. But doing that will require the backing of the PCP and the CDU.

[DIARIO DE NOTICIAS] Won't a minority PS government put the PCP in a ticklish situation? For example, if you contribute to its defeat, you will be called responsible for the fall of a left-wing government.

[Carvalhas] If we do not make a government viable, the reason is that it is not a left-wing government.

[DIARIO DE NOTICIAS] Is there any recognition in the PCP that the policy of alliances (in the Unified Democratic Coalition, or CDU) is taking influence in Parliament away from the Communists?

[Carvalhas] Our evaluation of the coalition is positive. The Greens will probably even have someone at the head of a slate in the upcoming legislative elections.

[DIARIO DE NOTICIAS] What about the UDP [Popular Democratic Union]?

[Carvalhas] The UDP is not going to be part of our slates because the UDP wanted us to change the name of the coalition.

[DIARIO DE NOTICIAS] Analysts say that in the PSD, Fernando Nogueira is now making statements further to the left. Do you agree that that shift has occurred?

[Carvalhas] Fernando Nogueira is using a marketing technique that is very common in the PSD. It consists of being in the government and in the opposition simultaneously. It calls for trying to make the public think that the alternative is within the PSD. Cavaco Silva has done that for several years. It is a well-known technique. For example, his late-blooming love for 25 April [1974] and May Day, with criticism of the capitalists who took advantage of the money in the Community funds to enrich themselves while not creating jobs, quickly changed into something different last week when he visited Ave Valley and praised the dynamism of businessmen. The party's discourse is served a la carte, depending on its audience, as is also true of the PS.

[DIARIO DE NOTICIAS] Apparently it is having an effect.

[Carvalhas] I don't know if it will last. I believe that on the ethical level, it is not the most appropriate position. The candidates should present their ideas and then put them into practice. Unfortunately, the PSD has promised a lot and has not been keeping its word. [passage omitted]

[DIARIO DE NOTICIAS] In the PSD, do you see differences between Cavaco's leadership and that of Nogueira?

[Carvalhas] The style is different, but from the standpoint of electoral tactics and policies, I see no differences.

[DIARIO DE NOTICIAS] Do you feel that Cavaco Silva will be a candidate in the presidential election?

[Carvalhas] Apparently he will. At least everything he does points in that direction. I am not saying that he has dived into the Tagus River like a certain mayoral candidate in Lisbon did, but he has driven a heavy truck. And it was all staged. Anyone who shows off like that is certainly not ready to leave the government and go home and sit in front of the fireplace.

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[DIARIO DE NOTICIAS] Is the PCP going to run a candidate?

[Carvalhas] What we decided in the Central Committee was that we would not take a stand until after the legislative elections. Until then, we will not support any candidate. Afterward, we will take a stand, and that does not rule out the possibility of having our own candidate. [passage omitted]

[DIARIO DE NOTICIAS] Will Alvaro Cunhal participate in the legislative campaign?

[Carvalhas] Yes. All of the party's leaders and members will participate in the campaign.

[DIARIO DE NOTICIAS] Will Alvaro Cunhal be a candidate in the upcoming legislative elections?

[Carvalhas] No, he won't. [passage omitted]

[DIARIO DE NOTICIAS] What do you think of the idea of holding a referendum on revision of the Maastricht Treaty?

[Carvalhas] A referendum on partial issues does not strike me as a good idea. By means of skillfully worded questions, that would make it possible to prevent the Portuguese people from expressing themselves correctly.

[DIARIO DE NOTICIAS] Well, then, in a generic referendum, what question would you like to see asked?

[Carvalhas] "Do you or do you not agree with the new Maastricht Treaty?" But I believe that it is very important for the people to know which political choices are going to be made in the negotiations and for the political parties to express themselves clearly regarding their choices.

[DIARIO DE NOTICIAS] Will the PCP demand to be heard on this subject?

[Carvalhas] Not only will it demand to be heard; it also thinks there should be a big national debate on the subject.

[DIARIO DE NOTICIAS] Is the PCP sticking to its stands against the single currency and a politicomilitary bloc?

[Carvalhas] We believe that as far as European security is concerned, work should be done to make the OSCE more operational.

[DIARIO DE NOTICIAS] But at the moment, Germany, which is the locomotive of the EU [European Union], wants much more thorough integration.

[Carvalhas] We are opposed to a directorate of big powers dictating rules to the small countries. The Maastricht Treaty contains the principle of economic and social cohesion, and that principle must be implemented. It cannot be implemented with monetarist policies and criteria; other criteria are required. Those criteria are employment, growth of production, and mutual assistance. We also feel that it must be possible for Portugal to participate or not participate in specific common policies. Concerning the single currency, it is preferable for Portugal to stay out of the lead car in connection with monetarist policies so that it won't wind up in the street cleaning truck in connection with development.

[DIARIO DE NOTICIAS] What you are supporting is a two-speed Europe.

[Carvalhas] The important thing is for Portugal to defend its national interests and not simply follow directives from the Bundesbank, because what is good for the Bundesbank may be good for Germany, but it may not be good for Portugal. It is not in our interest to wave the single-currency flag after wiping out our agriculture, our fisheries, and our industry and to wind up in a subordinate and completely dependent position. We support a Europe of states: of free, independent, and sovereign nations participating in mutually beneficial cooperation and pooling that which can be pooled. Not a directorate of big powers and not a move toward a set of rules that are extremely beneficial for the German mark and for Germany but are not beneficial for our country or for the European Union.

[DIARIO DE NOTICIAS] In the European Union, don't we have to keep pace with Spain?

[Carvalhas] I don't believe that Spain is in a position to keep up with the leaders in the monetarist pack. It is we who have been running greedily and frantically to follow Maastricht's lead thanks to political marketing. Naturally, we must watch our neighbor on this peninsula, because we have very extensive economic relations, but we do not have to take the role of followers.

[DIARIO DE NOTICIAS] Speaking now about the PCP...

[Carvalhas] The PCP is in good health.

[DIARIO DE NOTICIAS] But it wasn't in November of last year. Back then it engaged in somewhat disturbing self-criticism.

[Carvalhas] No. What we had was an inquiry, and we were not afraid to hold it publicly. There have been very important changes in the Portuguese economic fabric, and a workers' party must take those changes into account. The question posing itself to a party like the PCP is this: how should it organize itself and how

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should it intervene to remain closely linked to the workers?

[DIARIO DE NOTICIAS] Wasn't that self-criticism based on the assumption that the PCP had become frozen in time and had not noticed those changes in society?

[Carvalhas] No. The PCP had not only not become frozen in time: it had been paying attention to those realities. It is simply that in order to respond to them, various adaptations are necessary. We could not continue to remain focused only on the big firms—which are being liquidated—but had to also look at the small firms—anyplace where there are workers. That requires a different and more flexible organization. [passage omitted]

[DIARIO DE NOTICIAS] Is your leadership of the PCP peaceful today?

[Carvalhas] Today and in the past.

[DIARIO DE NOTICIAS] If in this upcoming election the PCP drops below its result in the last one (8.8 percent of the vote), will you offer to resign?

[Carvalhas] We do not have the concept of secretary general as head of the party—as big shot in the party. No one will ever hear me say that I am going to choose the deputies for Aveiro, that I am the one who chooses, that I am the one who decides. We have collective leadership. The successes and failures are shared collectively.

[DIARIO DE NOTICIAS] But a poor result will be blamed more on the leader...

[Carvalhas] Maybe by the media, but not by the party.

[DIARIO DE NOTICIAS] In the last legislative elections, the vote for the PCP declined. Do you think you can halt that decline? What would a good vote count be?

[Carvalhas] We feel that we are going to achieve a good result. There is a current of support for our party, specifically among young people.

[DIARIO DE NOTICIAS] In the East European countries, the former communist parties are returning to power. Perhaps because of disillusionment with neoliberal policies. If the PCP is also criticizing those neoliberal (PSD) policies in Portugal, why is the vote for the PCP not rising?

[Carvalhas] We were never in power. Where we have held power, and despite discrimination by the media, we have had the support and approval of the population—in local government, for example. This means that there is recognition of our work. Is everything going well? Of course not. Are there no shortcomings? Obviously there are. But we are a party that tries to respond diligently to the big question: "How can the life of the population be improved?" Anyone who looks at us without prejudice cannot say that this is not a party which has no proposals nor solutions. Because of that, we are going into these elections with great confidence.

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Officials on Cannes Summit, EU Presidency

BR2306125495 Madrid EFE in Spanish 1121 GMT 23 Jun 95

[Unattributed report: "Gonzalez' Political Situation Does Not Bring Unrest to EU"]

[FBIS Translated Text] Madrid, 23 Jul (EFE) — According to official government sources, the political situation of Felipe Gonzalez "will not adversely affect" the European Council in Cannes (France) or the Spanish EU presidency, which will start on 1 July.

After explaining the agenda and the goals of the European Council of Cannes, which will take place on 26 and 27 June and which will conclude the French EU presidency, official spokespersons revealed the government's hope that this Community summit yields "satisfactory" results which might guide the Spanish presidency.

According to these sources, Prime Minister Felipe Gonzalez has the capacity to fulfill the tasks of the Spanish EU presidency with more "guarantees of efficiency" than the previous presidencies.

With regard to the impact of John Major's resignation as leader of the British Conservative Party on the Council of Cannes, the spokespersons estimate that "it is not a reassuring factor," but they refrained from making further judgments.

Felipe Gonzalez, accompanied by Foreign Minister Javier Solana and by Economy Minister Pedro Solbes, will arrive in Cannes on Sunday [25 June], the evening before the Summit, to attend a meeting of European Socialist leaders.

Sunday evening a meeting of Socialist prime ministers is scheduled to coordinate the Social Democratic policy relative to the Council.

On Monday 26 June, before the sessions start, the prime minister will meet with the president of Lithuania.

The Spanish Government goes to Cannes in the best spirit of collaboration to find points of agreement on the remaining issues, according to the sources.

The issues which remain unresolved are, among others, the treaty of Europol and the French proposal on infrastructure networks, a proposal about which Spain has reservations, unless it is not detrimental to structural and cohesion funding.

Spain hopes that the meeting will confirm the EU's priority for a Mediterranean policy. Generally speaking, Spain agrees with the proposal of aid, but it believes that this could have been made with "more clarity and visibility."

The agenda of the European Council of Cannes will address four major groups of issues: economic, social, and monetary issues; foreign policy issues; justice and interior issues; and the preparation of the 1996 Intergovernmental Conference and EU perspectives.

The boost of employment through infrastructure networks is the central economic topic.

The financing of foreign policy actions, the situation in the former Yugoslavia, the Euro-Mediterranean Conference of Barcelona, and relations with the United States, Russia, and Asia will occupy the foreign policy agenda.

The treaty of Europol, the fight against drug trafficking, and the debate on racism and xenophobia will complete the agenda.

At the official dinner the Reflection Group's political focus will be discussed, and a message of faith in the preparations for the 1996 Intergovernmental Conference will be issued.

The agenda also includes a meeting with the central and East European countries, the Baltic states, Malta, and Cyprus.

The sources said that the agenda was "very ambitious" and stressed that "it is best to try and obtain concrete results so that the Spanish presidency can start with its own agenda.

Gonzalez Rules Out Election During Presidency

LD2506161295 Madrid RNE-1 Radio Network in Spanish 1500 GMT 25 Jun 95

[FBIS Translated Text] In Cannes, Felipe Gonzalez has declared that he is ruling out general elections during the coming six months. Gonzalez also said that the meeting that he held yesterday with Catalan Prime Minister Jordi Pujol was very good, and that they reviewed cooperation between their respective political parties the coming six months.

The prime minister made these declarations in the French town of Cannes, where he is taking part in the summit of European socialist leaders, who are preparing the proposals that they will take to the European Council of Ministers' meeting;

[Begin Gonzalez recording] I believe that, in principle, any kind of electoral process during the six month period can be ruled out. I believe that there will be political — or parliamentary — stability, so that the EU presidency can go ahead without any problems. [end recording]

For his part, Jordi Pujol said that he did speak to Felipe Gonzalez about electoral timetables, and he described

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the meeting that he held yesterday with Felipe Gonzalez as interesting:

[Begin Pujol recording, in Catalan with superimposed Spanish translation] Among other things, we did indeed speak about the electoral timetable; but it seems to me that if anyone is to be told first about this, it is the prime minister. The Catalan autonomous elections will be held within this general framework when it is most convenient to do so, but in any case, one must wait for one or two unknown factors to be clarified. [end recording]

Interior Minister Meets With French Counterpart

LD2306103995 Madrid RNE-1 Radio Network in Spanish 2200 GMT 22 Jun 95

[FBIS Translated Text] In Paris, Juan Alberto Belloch, the minister of justice and interior, accompanied by Margarita Robles, the secretary of state for the interior, met French Interior Minister Jean-Louis Debre for the first time since the latter took on the post following the French presidential elections.

At the end of the meeting, Minister Belloch confirmed that counterterrorism cooperation between the two countries will continue along the same lines:

[Begin Belloch recording] Minister Debre showed that he understood the problem, and I am convinced that we are going to make decisive progress in improving police and political collaboration between Spain and France on the tackling the question. [end recording]

Extradition Treaty With Mexico Aimed at ETA

LD2406082895 Madrid RNE-1 Radio Network in Spanish 0700 GMT 24 Jun 95

[FBIS Translated Excerpt] Yesterday, a new extradition treaty was signed between Spain and Mexico in which crimes connected with terrorism cease to be regarded as political ones. Luis Manuel Fernandez:

[Fernandez] The protocol of the new extradition treaty between Spain and Mexico signed in Mexico City yesterday was described by the Ministry of Justice and Interior as a very effective instrument in the fight against terrorism. This modification of the 1978 treaty will, according to Maria Teresa Fernandez de la Vega, the secretary of state for justice, remove the political character from terrorist offences and faciliate the handing over to our country of ETA [Basque Fatherland and Liberty Group] members settled in Mexico. [passage omitted]

The protocol of the new extradition treaty is expected to come into force in the middle of next year once it has been ratified by the Spanish and Mexican parliaments. [passage omitted]

It is estimated that about 150 members or former members of ETA are in Mexico. [passage omitted]

Investigation Opened on Wiretapping of Magistrate

BR2606143995 Madrid EL PAIS in Spanish 25 Jun 95 p 17

[Unattributed report: "Belloch Orders Attorney General To Examine 'Taps' Experienced by Garzon"]

[FBIS Translated Excerpt] Baltasar Garzon, the High Court magistrate, reportedly has been spied on by the Higher Defense Intelligence Institute [CESID] during the last eight months, according to a report in yesterday's DIARIO 16, which claims to possess several tapes containing 30 conversations. Garzon wondered: "What can one say when suspicions become true?"

Fernando Escribano, the Justice secretary general, reported yesterday that Interior and Justice Minister Belloch had sent an official letter to Carlos Granados, the state attorney general, which reads: "In accordance with article 8.1 of the Public Prosecution's Natural Law, the government wants the attorney general to take the necessary legal steps."

Emilio Alonso Manglano, the resigning CESID director, denied in a statement to TVE [Spanish Television] that the CESID is behind the illegal tapping of the magistrate, and said that there are plenty of people in Spain with the wiretapping resources needed for this.

One of the conversations intercepted is with former Interior Minister Antoni Asuncion, there are several with Socialist Senator Dolores Garcia Hierro, and one with EL PAIS editor Francisco Mercado. The wiretaps of in December and took place on important dates in the GAL [Anti-terrorist Liberation Groups] investigation and in the investigation into the Laos papers (the capture of Luis Roldan). [passage omitted]

Julio Anguita, United Left [IU] coordinator general, said that the news of wiretaps of Garzon did not surprise him. Anguita said that he did not believe any of last week's explanations in Congress by Deputy Prime Minister Narcis Serra regarding the CESID taps.

The IU leader stressed that the most recent wiretap of Gonzalez dates from 16 June, which proves that the CESID continues to tap the telephone conversations of many citizens. Anguita believes that this latest scandal confirms the "decomposition" of the constitutional state, and joked that soon tapes like these would be available on every market.

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According to Alvarez Cascos, the People's Party spokesperson, this case proves that the CESID has tapped telephones since 1991, contrary to what the deputy prime minister claimed. Alvarez Cascos repeated his uneasiness about the investigation opened on the CESID because "the only thing the investigators are doing is destroying evidence."

Journalists Claim Phones Still Being Tapped

BR2306135995 Madrid ABC in Spanish 23 Jun 95 p 29

[Report signed "S.N.": "EL MUNDO and ABC Directors Report Phone Tap"]

[FBIS Translated Text] Madrid — Yesterday EL MUNDO's and ABC's directors, Pedro J. Ramirez and Luis Maria Anson, respectively, filed a complaint in court, reporting that their telephone lines had been tapped. According to the complaint, the allegedly tapped conversation between the directors of these two newspapers took place last Sunday [18 June]. The tap was detected by a P-326 electronic unit which Luis Maria Anson has in his office.

According to the plaintifs, the facts may constitute punishable offences in accordance with articles 192 bis, 194 and 497 of the Criminal Code, concerning the unlawful interception of communications without judicial authorization, whether by authorities and civil servants or private citizens.

In the former case, the Criminal Code establishes the offense is punishable by imprisonment in its severest form and dishonorable dismissal; in the latter case, punishment may consist of imprisonment and a fine from 100,000 to 500, pesetas.

The complaint filed reads as follows: "Not only is there evidence that a telephone line was tapped, but such a tap represents an impediment to the free exercise of civil rights with regard to freedom of expression and the constitutional guarantee which protects the right to information, as provided for by article 20 of the Spanish Constitution."

According to the complaint filed yesterday in court by EL MUNDO's and ABC's directors, on Sunday 18 June, at 2120 hours, Pedro J. Ramirez put a call from his office to that of Luis Maria Anson.

In the midst of the conversation, the P-326 multiple tapping detector unit installed in the office of ABC's director detected a tap. The electronic device, which had been installed by a security company, indicates any tap by flashing a red light. This suggested that the conversation was being listened to by a third party.

Witnesses

Upon realizing that the conversation was being tapped, Luis Maria Anson called a number of close-by ABC reporters to his office, who were able to confirm that a tap had been detected.

The three reporters (whose identity is described in the complaint filed in court) are prepared to appear as witnesses before the judge if necessary.

In order to draw up the appropriate technical investigative reports, ABC's and EL MUNDO's directors have appointed the companies ADT-Prosegur (Security Systems, S.A.) and Proselec, independently of any companies the judge may appoint for the same purpose.

The complaint includes a statement signed by a senior official of the Proselec company, dated 20 June, concerning the operation of the telephone tapping multiple detector.

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Denmark

Petersen Conditions Sanctions Against Iran

BR2606131795 Copenhagen POLITIKEN in Danish 24 Jun 95 p 7

[Report by Ogle Damkjaer: "Helveg Asks For UN Help Against Iran and Wants Sanctions Approved by Security Council"]

[FBIS Translated Text] Danish Foreign Minister Niels Helveg Petersen of the Radical Liberal Party (R) wants no part in punishing Iran by imposing sanctions unless they are first the subject of a UN Security Council resolution.

The foreign minister decided this yesterday after a meeting of the Folketing's Foreign Policy Committee.

"Decisions of this kind should be sanctioned by the United Nations," Helveg Petersen replied, when asked whether the European Union would follow in the footsteps of the United States and slap a trade boycott on Iran.

The possibility of EU sanctions arose after the Iranian Government on Thursday [22 June] rejected a demand made by the European Union with a view to receiving a promise, in writing, that the fatwa against British writer Salman Rushdie would never be carried out at the Iranian Government's initiative.

"Any EU sanctions must be preceded by a UN resolution. And that fact must be borne in mind when considering the matter," the foreign minister said, pointing out that sanctions against Iran will come up against resistance among some of the members of the UN Security Council.

Conservative Skepticism

That is one of the reasons why the chairman of the Conservative party, Per Stig Moller, is violently opposed to Helveg Petersen involving the United Nations.

"After all, that is equivalent to not doing anything at all. There are many countries in the United Nations that do not want to hit Iran," Per Stig Moller said, before pointing out that the European Union had previously imposed a trade boycott without involving the United Nations — namely, after Russia's invasion of Afghanistan.

"Of course, it is up to Helveg whether he will let the European Union take precedence over the United Nations, but there is no formal requirement to do so," the Conservative Party chairman said.

At Helveg Petersen's initiative, the EU's foreign ministers will discuss a common reaction to Iran's refusal when they meet at their summit in Cannes on Monday [26 June].

Denmark intends to come up with one or more proposals, but Helveg Petersen does not want to reveal what they will be. However, he does acknowledge that the critical dialogue which has been the European Union's policy vis-a-vis Iran in the past was "clearly not in very good shape."

Helveg Petersen said it was "a mere excuse" when the Iranians, among other things, rejected the European Union's demand regarding the Rushdie affair along with statements from the Danish foreign minister.

Helveg Petersen does not know which statements the Iranians were referring to and summoned the Iranian ambassador to Denmark to a meeting with a view to getting some answers. In vain, as it turned out.

Finland

Prime Minister Seeks Early Entry Into EMU

95EN0243A Helsinki HELSINGIN SANOMAT in Finnish 5 May 95 p 5

[Excerpt from article by Paavo Rautio: "Lipponen: EMU-Membership Government's Goal"]

[FBIS Translated Text] According to Prime Minister Paavo Lipponen (Social Democratic Party), the object of the government is for Finland to be among the first countries within the EU to join the European Monetary Union (EMU). Lipponen discussed the issue during the Eduskunta's question hour last Thursday.

Hannes Manninen (Center Party) stated that Lipponen had told the Eduskunta, a few weeks ago, that it is Finland's goal to join the monetary union. Manninen wondered whether that is the goal of the government or whether it represents Lipponen's personal view. Membership in the EMU has not been included in the government's agenda.

"This is the goal of the cabinet. The goal is very clear," answered Lipponen. He emphasized that Finland's membership will not be finally decided upon until "the issue actually comes up." At that time, it will be evaluated whether the Finnish economy is sufficiently strong, and how membership would affect the country's employment policy.

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Ministry Planning for Rapid Reaction Force

95EN0295B Helsinki HELSINGIN SANOMAT in Finnish 24 May 95 p 3

[Article by Mikael Pentikainen: "Training of Rapid Reaction Forces Would Begin With Recruits; A Reserve Battalion Would Be Ready Within Three Years"]

[FBIS Translated Text] The new Rapid Reaction Force [RRF] planned for international duties will be trained as a part of the present recruit and reserve training and within the framework of the current defense budget, according to the plans of the Ministry of Defense.

The Ministry of Defense has constructed a RRF model for the contingency that the government decides to establish the force. A final decision has not yet been made. The ministry's model assumes that the new force will be trained and equipped mainly within the framework of the current defense budget.

The new force would be trained primarily to reinforce the defense of Finland, but it can be used if needed for international duties as well.

The training will begin with the recruits and be continued at an intensive pace in military exercises for those volunteering for the force and selected reserves. The ministry estimates that the first battalion will be ready for international missions within three years.

It is intended that only reserve personnel who volunteer would be sent on international missions in addition to the limited regular personnel of the force.

The readiness force is supposed to be structured in such a way that it would fit in as a part of an international force. In practice this means that the communication and command systems of the different countries would have to be harmonized.

Daily Views Prospect, Implication of EMU Entry

95EN0243B Helsinki HELSINGIN SANOMAT in Finnish 5 May 95 p 2

[Editorial: "Finland Among the First To Join the Monetary Union?"]

[FBIS Translated Text] The EU's Monetary Commissioner, Yves-Thibault de Silguy, has spoken about the birth of the European Monetary Union (EMU) in a manner which Finland should find significant. Recently in New York, he included Finland in the group of EU members who are among the first to fulfill the requirements of the monetary union. The other five countries were Germany, Denmark, Ireland, Luxembourg, and Holland.

The statement by the French commissioner naturally sounded sweet to Finland, which has been hit by a deep recession. It is also nice to notice that the development of the Finnish economy is evaluated in such a favorable light against the background of other European nations.

Until now, Finland has not harbored any high hopes for its chances of joining the EMU. But after the budget cuts implemented by the new cabinet, some economists have come up with calculations, according to which Finland could slip into the monetary union fairly soon.

Finland seems to have three of the monetary union's five criteria under control, but the two remaining ones are more problematic. Inflation, interest rates, and even the value of the floating markka constitute the three criteria where Finland seems to be passing muster. On the other hand, the state finances are so far not in such a good shape. This includes the remaining two conditions, i.e. the relationship between the state debt and the budget deficit to the GNP. The state debt should remain less than 60 percent, and the budget deficit, for its part, less than 3 percent of the GNP.

Finland's chances of quickly joining — if it wishes to do so — are seamlessly connected with the new government's plans for budget cuts. If the proposed cuts are carried out, the budget deficit may, based on the best scenario, even be brought within the 3 percent limit, as early as next year, if social security funds are also included, based on EU praxis.

On the other hand, the second criteria for state finances, i.e. the debts of the entire public sector, will increase this year in Finland, to almost 70 percent, and will remain also next year above the permitted 60 percent level. However, the Maastricht Treaty allows for some flexibility; it is sufficient if the trend is going down. The reason for this is quite simply that very few countries fulfills this particular condition.

The monetary commissioner, de Silguy, also emphasized the total size of public debt is not an absolute requirement. There is some time to fulfill the criteria, as neither Finland nor the other EU nations believe that the monetary union will be created until a few years from now. The current European estimate is that a single currency and a monetary union under a single central bank could become a reality in 1999. Economic development is now fairly positive in all of West Europe. This could help the countries to fulfill the conditions for the EMU, and at the same time increase the willingness for a supranational monetary and economic union. Finland should also prepare its own evaluations of the monetary union, and also for the eventuality that it ends up being a rump union, although on schedule. It is also worth remembering President Mauno Koivisto's warning from

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last month, that one should not rush into the monetary union while in poor shape. Connected to the monetary union is also the transfer of financial decisionmaking powers to outside the country. The actual preparedness for such a transfer is still to be discussed in Finland. The time for this debate is here.

Ministry Official Views 1996 EU Conference

95EN0299A Helsinki OPTIO WEEKLY SUPPLEMENT TO KAUPPALEHTI in Finnish 1 Jun 95 pp 14-17

[Article by Seppo Jarvinen: "Openly and Clearly"]

[FBIS Translated Text] Veli Sundback, the leader of Finland's organizing committee for next year's EU conference, predicts that the conference will be officially opened during the first half of next year, while Italy is the chairman country. It will hardly be concluded during the same year, but the final decisions will be postponed, according to current forecasts, until 1997. The current year will be consumed completely in preparations for the conference.

The EU's previous cabinets involving conferences have lasted more than one year. The conference that led to the Maastricht Treaty lasted about two years. The conference that led to the establishment of the EU's predecessor, the European Economic Community, lasted approximately three years.

"Now, again, a long process is beginning. First, agreement must be reached on what to discuss. Only then is it time to establish positions," says Sundback.

Basic Positioning Has Already Been Done

He points out that in the platform of Prime Minister Paavo Lipponen's cabinet Finland's EU policy has already received a lot of input.

The cabinet, after all, promises in its platform to promote the development of the EU as a confederation of independent countries. At the same time the cabinet gives its support to efforts to improve the EU's operational capabilities. Furthermore, the cabinet is in favor of the Central Europe and Baltic countries joining the EU.

In its financial policies the cabinet has as a goal the fulfilling the criteria of the economic and monetary coalitions of the EU in such a way that Finland can join the third and most important phase of monetary union whenever it wants to.

"The cabinet's platform suffices as a position statement for many months to come," says Sundback.

Some have seen a contradiction in the cabinet's platform because it simultaneously talks about the confederation of independent countries and an efficient EU. Sundback does not agree with this criticism. According to him one issue is the basic characteristic of the EU, while another issue is its operational capability. The means and the end have also been mixed up by some critics.

Essential Conference

In this conference of governments the EU member countries will discuss how the Maastricht Treaty should be fine-tuned so that the EU would remain capable of continuing in the new conditions. The conference is essential in the sense that further expansion of the EU cannot be considered without first reconsidering the mode of operations and even the policies of the EU.

One concrete example that Sundback mentions is Poland. According to sources in Brussels, Polish membership in the EU would bring 10 million new farmers into the EU's agricultural sector. This is so many that the current agricultural policies of the EU could not respond to it.

In other ways excessive pressures would be placed on the EU's regional and structural fund reserves because the GNP of the Central and East European countries is lower than the EU's average. There simply would be too many who need aid.

Even though the reconsideration of the Maastricht Treaty is based on jurisprudence, politics plays a strong part in the background. Pressures for changes come from, among other factors, the big member countries, the European Parliament, and also from national organizations. The EU council, the Commission, and the parliament have already stated their positions.

The so-called funding group, which is made up from member countries, will be organized in Messina, Italy, at the beginning of June. All in all, there is time to make preparations for the conference until the latter half of December.

In Finland the supreme organ is the EU Committee of Ministers and, parallel to it, the Foreign and Security Policy Committee of Ministers. The Sundback-led organizing committee is providing materials for these two committees. Preparations are not restricted to these two committees, however, but it is being done extensively in other places as well.

Not a Separate Process

Decisions have already been made that the conference will deal with, among other things, the relationship between the EU Commission, the Council of Ministers, and the European Parliament; the method for making decisions; development of a foreign and security policy;

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and the possible expansion of the EU's sphere of authority to include environmental and tourism matters.

The complete agenda of the conference has not yet been agreed upon. Its conceptualization will be left for Spain's term as chairman, which will begin after the Cannes summit meeting in June, and will end with the Madrid summit meeting in December.

Sundback points out that the conference of governments is not a process separated from other challenges faced by the EU.

"There are other big issues too, such as assuring employment and economic growth, the monetary union's third phase, the future expansion of the EU, refurbishment of the agricultural and structural policies, and the future funding of the EU. These issues are in the so-called shadow agenda, which will not, as appears at present, make it on the actual conference agenda, even though they will closely affect its proceedings."

Sundback is nevertheless worried that "horrid amounts of issues" will be brought to the conference agenda—so many that they cannot be dealt with. Another entity that has been concerned over the same thing is the European Industrial and Employers Organization, UNICE, which has made a position statement that only the essential issues be brought to the conference of governments, and that any completely new items be viewed with extreme restraint.

The Lessons of Maastricht

According to Sundback there is reason to learn lessons from the previous conference of governments, the one that led to the Maastricht Treaty.

"Not all matters were handled very well in the previous conference. The conference lacked openness, which resulted in citizens being surprised by the decisions. Besides this, the Maastricht Treaty was worded in a way that made it unreadable. The next conference must be conducted more openly and the text of the agreement must be written so that it is more readable. Otherwise there is a risk that the conference will not be a success and this will place all achievements in peril of being discarded."

Sundback does not personally believe that the upcoming conference will bring real earthshaking changes. From Finland's point of view, it is important that the EU remains as an operable organization, and that the interests of small countries are sufficiently considered in institutional decisions. The development of the EU's foreign and security policy is also in Finland's best interests.

Encouraging Start

Finland has been an EU member for five months. According to Sundback membership has met expectations, and no big surprises have been encountered.

"The immediate economic consequences of membership have been according to expectations. Food prices have fallen about 7 percent, which is not quite the anticipated 10 percent. Merchants may, however, still have some old stock that was purchased at a higher price, and prices may thus continue to fall.

"Business confidence in the future has improved due to membership. There is increased interest in investments, both at home and abroad. Of course, it is difficult to say what effect EU membership has had on investment decisions by businesses.

"A third, more negative aspect has been that membership has been a difficult thing to swallow for the fixed sector. The structural change has been a bitter pill particularly for farmers and the food products industry. We did anticipate as much, however."

Small Countries Have Influence

Participation in the EU's operations has proved, according to Sundback, that the difference between being and not being a member is even bigger than had been expected.

"Only now have we learned what it means to be outside the decisionmaking process and the sphere of influence of the EU. An encouraging aspect of this has been that small countries do have notably more influence than their size would indicate. Things must just be prepared with care and backed up well with reasoning. The size of a member country, not including Germany and France, perhaps, does not matter."

Sundback has been keeping up with EU developments for a 25-year period. There are always things to learn from the practical activities of the EU. There are over 20 different procedures for making decisions, so that sometimes there will be some surprises.

"There's reason to be familiar with the EU's dance steps. It is important to know beforehand how things will be decided, whether a unanimous or majority decision is required, and what role parliament will play in the decisionmaking. The talk of strained relations between various EU institutions is not merely talk—they do exist."

A New Image for Finland Being Created

Sundback feels that the way EU membership has changed Finland's international status has not been

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noticed even by everyone in Finland. It is still not fully understood that the EU is us, ourselves, and that we really do have the opportunity to participate in decisionmaking and we do have an influence.

"Membership has given new meaning to our standing with other countries. We now arouse more interest than before. I have myself noticed this, among other times, during the president's trip to the Orient. In my opinion, our international standing has been enhanced."

"I would say that it is now our chance to make a mark, for many countries are creating a new image of Finland as an EU country. At this very moment fresh eyes are examining what Finland and Finns have to offer. We can gain a lot if we act wisely.

"We must be active so that we can take advantage of the positive expectations of others toward us. This does not only apply to the government, but also to different sectors of society at large."

According to Veli Sundback, Finland's EU membership is still in the break-in phase. The last five months have, however, shown that we have learned fast.

Left Alliance Purges Communists From Ranks

95EN0243C Helsinki HELSINGIN SANOMAT in Finnish 5 May 95 p 7

[Article by Jaakko Hautamaki and Anna-Riitta Sippola: "Left Alliance About To Expel 57 Communists"]

[FBIS Translated Text] The Executive Board of the Left Alliance has prepared a list of 57 members to be expelled. According to the executive board, the members on the list have engaged in activities which are prohibited in the party rules. The board found that the members to be expelled have "actively participated in political activities which are damaging and opposed to the party, and thus contrary to the basic principles of the party."

The board considered it inappropriate to maintain membership "in another political party, and to participate in the activities of its decisionmaking bodies." A person who is a member of one party, can quite simply not be a member of another party. According to the Left Alliance, the Finnish Communist Party should have been aware of the fact that, after the change in the party rules, dual memberships are not possible.

Yrjo Hakkanen, chairman of the Finnish Communist Party (FCP), condemned the expulsions last Thursday. In the view of the FCP-leadership, through the expulsions, the Left Alliance's Executive Board attempts to fulfill its promise to the Social Democratic Party and the Conservative Party, to part ways with those who disagree with the government's policies.

According to Claes Andersson, chairman of the Left Alliance, the negotiations for a government coalition did not include any promises of cleaning house. "Nothing of the kind was discussed during the negotiations for a government coalition. This is a totally false and absurd statement," said Andersson.

Expulsions Constitute "Organizational Procedures"

Among the expelled are also some married couples. "Their only crime is being married to the wrong person," noted Hakanen, referring to the wives of the expelled members. One of the expelled married couples are Marketta and Asser Siuvatti. The chief shop-steward from Raahe, is quite well-known within the party. Marketta Siuvatti is a council member of the Confederation of Finnish Trade Unions. The list includes the Left Alliance's municipal council members, trade union representatives, Eduskunta candidates, as well as individuals in leadership positions in district and field organizations.

On Thursday, the head of the Left Alliance's Eduskunta group, Esko Helle, did not know anything about the expulsions. He noted that "in itself the issue is quite OK." He claimed the expulsions cons titute "organizational procedures." The expulsions are tied to rule changes.

FCP claims that no concrete acts have been shown as bases for the expulsions. According to the party, the expulsions are even violating the Associations Act.

According to Hakanen, the chairman of the Left Alliance, Claes Andersson, "is breaking all his previous promises." Hakanen, himself, resigned from the Left Alliance, already a year ago.

On Thursday, Hakanen was not willing to estimate the number of communists in the Left Alliance's Eduskunta group, although he was asked this question 10 times.

It is difficult to estimate the number of communists as it is hard to find an accurate way of measuring. Many of them may have an old membership card in their drawer; others may not have paid their membership dues, but, in any case, the group is small.

Two of the Left Alliance's Eduskunta members already received a warning as they, a week ago, strayed away from the government coalition when voting in the Eduskunta on a statement regarding the government agenda. Esko-Juhani Tennila, who was one of the members warned, has only paid membership dues to the Left Alliance. The second member warned was Mikko Kuoppa.

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FCP is recovering from its bankruptcy, and in order to continue, the party must again collect supporter cards, after which registration still lays ahead.

Left Alliance's Program Rejected

In the view of FCP, the adjustments to the Left Alliance's program means the jettisoning of the radical red-green goals in order to accommodate the requirements set by the capitalistic market economy, the EU and the Finance Minister Iiro Viinane (Conservative Party).

Norway

Finance Minister Discusses Lack of Foreign Debt

95EN0292B Oslo AFTENPOSTEN in Norwegian 11 May 95 p 41

[Report on news conference with Finance Minister Sigbjorn Johnsen by Geir Salvesen in Oslo on 10 May: "Traveling Around With Money in the Bank"]

[FBIS Translated Text] *Finance Minister Sigbjorn Johnsen has cut the national budget deficit to 6 billion kroner [NKr]. In 1996 he will put a surplus of NKr10 billion into the state oil fund.*

The state oil fund is intended to show how the oil fortune is being used and have a disciplinary effect on the inclination of politicians to spend money. The Norwegian Bank will invest most of the oil fund abroad.

The government proposes leaving the interest rate on student loans as it is in the revised national budget. The Center Party has warned that it will fight this. Cutting the interest rate on student loans by 1 percent would cost the state Nkr350 million a year.

One summer day in June or July Norway will go from having a foreign debt to having a surplus. This has not happened since 1918 and 1946 when the Norwegian merchant fleet was paid for its efforts in the two world wars.

In 1996 the state budget will also have a surplus, after several years with large deficits. This will enable the state to start building up capital in an oil fund for the first time since the oil era began.

"We will now set aside the first deposit in the next generation's bank book," said a very pleased finance minister when he presented the revised proposal for the 1995 national budget yesterday. The state budget will have a deficit this year too, now adjusted downward to NKr6 billion. But the finance minister promised a surplus of around NKr10 billion in 1996, assuming unchanged tax levels and no extra spending increases. According to plan this money will not be spent on things in this country, but will multiply in an oil fund through cautious investments abroad.

"It should not be so easy to get hold of this money that people can just dip into it if a good project comes along," Finance Minister Johnsen said at the news conference. The oil fund will be invested abroad to avoid the price and cost growth that would allegedly result from allowing it to go into the Norwegian economy.

For the time being the days are over when finance ministers sat with gloomy faces and administered enormous deficits and budget cuts and at the same time had to put up with constant grumbling from the opposition.

"The current development is gratifying and positive, and the best part is that we have achieved the growth we want," said Johnsen. A strong increase in investments in mainland Norway is the driving force now.

According to the finance minister the main task now is to ensure that the upswing is stable and will be sustained over a period of time. The difference between the current situation and the Yuppie period in the 1980's is that growth and investments are not based on loans as they were then because of a tax system that encouraged this practice. Norwegian price growth was also higher than that of competitors and pushed interest rates up.

As a result of the economic boom 5,000-6,000 more people should find work this year. But unemployment is not declining as quickly as many had hoped.

"More people will join the labor force," said Johnsen. The budget proposal actually means that there will be an average of 10,000 fewer openings in job programs this year than last—45,000 compared with 55,000.

But in accordance with the decision at the Labor Party's national meeting in March the government will set aside extra money for job guarantees or job training openings for everyone in the 20- to 24-year-old age bracket who has been unemployed for more than six months.

The finance minister is upbeat about price developments. "There is nothing now that indicates price and cost pressure," Johnsen maintained. The government anticipates a price increase of 2.5 percent this year and less than that next year.

Reactions

The good budget news, with no big unpopular cuts or tax increases, has also had a soothing effect on the opposition in the Storting. The first reactions from the Christian People's Party (KRF) and the Center Party, which have supported previous Labor Party budgets, were mild in form and content. There are few red rags

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that might infuriate them, although there may be a tug of war over interest rates on student loans.

Conservative fiscal policy spokesman Per-Kristian Foss criticized the Labor government for allegedly postponing a number of unpleasant issues until after the municipal elections. These include a new home appraisal system, a review of car taxes, and measures to limit trade leakage to Sweden. The Conservatives think Norway should have had a surplus of NKr10 billion as early as this year. The Socialist Left Party (SV) thinks the revised budget is complacent and passive.

"The gloomy predictions before the European Union (EU) referendum have now been put to shame," said Gudmund Restad of the Center Party.

As things turned out, didn't the government greatly misjudged the economic consequences of rejecting the EU?

"As I said about this last summer, we were heading for rising interest rates because of the uncertainty about the EU result. But right after the referendum was held we came out and said we would hold a steady course," Johnsen said.

[Box, p 41]

Revised National Budget for 1995

The government presented the revised national budget yesterday. Meanwhile, the government has provided a broad review of the Norwegian economy and sent important economic policy signals.

The document contains few important concrete proposals.

Norwegian economic growth is now stronger than it has been for 10 years.

However, the government is worried that growth is so strong that it will put pressure on prices and wages. It warned of a tighter fiscal policy if demand pressures in the economy become too strong.

The government wants to make the spending of the oil money visible through a state oil fund. The politicians must be disciplined into moderation. Now is the time for the country to build up a strong financial position to deal with declining oil revenues.

The government does not propose lowering interest rates in the central bank. So far this seems to be the only issue that may create dissension in the Storting.

Among the individual proposals: The business sector can establish packaging recycling provisions without being taxed. Subsistence benefits will be taxed from the first day. Police forces and sheriffs will receive NKr50 million.

NHO Predicts 'Record Year' for Industry

95EN0292E Oslo AFTENPOSTEN in Norwegian 10 May 95 p 27

[Article by Knut A. Skaslien]

[FBIS Translated Text] *Norwegian industry is on the way to an all-time record year. The surpluses in the first quarter of the year are more than twice as high as they were in the same period last year.*

"We could see profits on a par with 1989, which was the best year we have recorded," commented chief economist Tor Steig of NHO (Norwegian Confederation of Business and Industry).

AFTENPOSTEN has looked at the results of 23 industrial companies listed on the stock exchange that have released their quarterly figures. As many as 20 of these companies have better results this year than last. And the improvement is enormous. At the end of the first quarter of this year the 23 industrial companies have surpluses of close to NKr5.3 billion before taxes. Last year the figure was 2.3 billion. This is an improvement of 127 percent.

The super results of the giant Hydro firm contributed a lot to this amount, of course. But even when Hydro is excluded the profit gain for the rest is a tidy 74 percent.

AFTENPOSTEN's review further shows that the average surplus in the 23 companies represents 12.6 percent of operating receipts. If Hydro is excluded then this is reduced to 8.9 percent, which is still good.

Hafslund Nycomed is still the most profitable company when the surplus is measured in relation to sales. For every NKr100 that comes in Hafslund is left with a surplus of NKr18.7 before taxes. It is followed by the little software company Multisoft with a profit margin of 18.1 percent. Schibsted, in third place, has 17.9, and Hydro has 16.5 percent.

Many of the big export firms experienced big price increases on their products last year and were able to post good annual profits. Chief economist Steig pointed out that much of the price increase occurred in the fourth quarter. If the high prices continue throughout 1995 then it will be a super year for export industries.

The 50-percent Statoil-owned petrochemical company Borealis, which was not included in our survey, is an excellent example. The company had a surplus of around NKr1.3 billion in the first quarter compared with

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a deficit of 170 million at the end of the first three months last year.

But the lower exchange rate of the dollar is an element of uncertainty, as many export firms have big earnings in dollars.

"We have probably not seen the last of the price increases where individual groups of producers are concerned. But the second quarter will probably not be as good as the first because we are now getting the full effect of the low exchange rate of the dollar. It is not certain how far down the dollar will go in the future," Steig emphasized.

At the moment he sees no domestic threats to industrial profitability. The only danger is that the big increase in construction costs will spread to the rest of the business sector.

At present NHO does not register any tendency that the big surpluses will lead to corresponding demands from employees in local wage settlements.

"Profitability for export-oriented firms varies greatly over time. We must be aware that the market will turn downward again, and we feel that there is much greater understanding of this now than there was in the past," Steig said.

One person who can really rejoice over the record surplus is Finance Minister Sigbjorn Johnsen. Tax allocations among the 23 industrial firms in AFTENPOSTEN's survey are more than NKr1 billion higher than at the same time last year. And although no one pays taxes on the basis of quarterly results, there is a prospect of a real jump in tax revenues from the business sector. But the finance minister has probably already included this in his long-range calculations for the revised national budget that he is presenting today.

Sweden

Government To Host Baltic Council Meeting

95EN0276A Stockholm SVENSKA DAGBLADET in Swedish 20 May 95 p 14

[Unattributed article: "Sweden To Hold Baltic Summit Meeting"]

[FBIS Translated Text] Gdansk—Sweden wants to see more active cooperation among the countries bordering the Baltic Sea. As newly elected president of the Baltic Council, Sweden will host a summit meeting next year. The Swedish Government also sees the council as a bridge between the EU [European Union] and the states wanting to become members.

Will Discuss Democracy

The meeting will be held in Visby in April or May with participation by the heads of government and the president of the EU Commission. They will discuss questions such as democracy, economic integration, and the environment. The Swedish Government feels that besides all the meetings being held at lower levels, an all-inclusive meeting is required to show the political importance of the Baltic Council.

The invitation was issued by Minister of Foreign Affairs Lena Hjelm-Wallen as the council was concluding its annual meeting in Gdansk, Poland, on Friday [19 May]. At that meeting, Sweden was elected president of the three-year-old council.

The group represents great possibilities for cooperation, but also risks of conflict, says the minister of foreign affairs. She points out that World War II started between two of the council's member states: Germany and Poland. There are also tensions between Russia and the Baltic countries.

"So everyday cooperation taking place within the Baltic Council is salutary."

The Baltic Council has 10 members: all the coastal states plus Norway. The meeting in Gdansk also included participation by Hans van den Broek, the EU's commissioner for external relations. In addition, Iceland was voted in as the 11th member.

Shortcut for Poland

The council now includes four EU members. The council may become a bridge or perhaps a shortcut to EU membership for Poland and the Baltic countries. Poland is currently an associate member, and the EU is expected to sign the so-called European Treaties with Estonia, Latvia, and Lithuania in June.

Poll: Majority Dissatisfied With Government

95EN0276C Stockholm SVENSKA DAGBLADET in Swedish 15 May 95 p 17

[Article by Hans Strandberg: "One-Third of SDP Voters Dissatisfied With Government"]

[FBIS Translated Text] In three months' time, Social Democratic [SDP] voters have become much more dissatisfied with the government's policy. Particularly disappointed are women, young people, and workers. But voter distrust will not change policy by "a single millimeter," according to party secretary Leif Linde.

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More Voters Dissatisfied With SDP

According to the SIFO [Swedish Institute for Public Opinion Polls] poll published by GOTEBORGS-POSTEN on Sunday [14 May], 61 percent of LO [Swedish Federation of Trade Unions] members are dissatisfied with the government.

When the preceding poll was taken in February, that figure was only 38 percent.

GOTEBORGS-POSTEN/SIFO asked the following question of 1,000 individuals:

"Do you think the government is doing its work well or poorly?"

The survey was conducted early in May and therefore reflects dissatisfaction with the lower unemployment benefit, distrust of cooperation with the Center Party, and the confrontation with the LO around 1 May.

Left Party Gives Failing Grade

Of those surveyed, 55 percent were dissatisfied. That is 14 percent more than in February, when over half of those interviewed were satisfied with the government's work.

One-third of the party's own voters say that the government's performance is either rather poor or very poor, compared to one out of five SDP voters three months ago.

Nearly nine out of 10 Left Party voters give Ingvar Carlsson and company a failing grade. According to the poll, the negative reaction is not that strong even in the nonsocialist camp.

"All polls like this must be taken seriously. This one shows concern and dissatisfaction over the cutbacks in the welfare system. Even though we announced the savings during the election campaign and are making the rich pay the most, it is obviously difficult for people to accept the cutbacks when they actually occur."

"Not Enough Debate"

That is party secretary Leif Linde's comment on the poll. Linde says the Social Democrats are good at working offensively to expand social services and raising taxes, but are less prepared when times are bad.

"The opposition to a drop in the child allowances shows that we in the party have not sufficiently debated the welfare system ideologically."

We asked: "Does 'be taken seriously' mean that the policy will change?"

"No, not by a millimeter. We must stick to our policy, and it will produce results. It will do so by stabilizing the economy, strengthening the krona, reducing interest rates, and inducing firms to invest more, thus providing work for more people. It is what we call the good circle."

We asked: "So what does 'be taken seriously' mean?"

"It means explaining our policy again and again: explaining why we cannot just raise taxes without also cutting back on those who are worst off. That is why we must show results, because we know from other polls that there is great confidence in the Social Democratic Party's political ambitions," says Linde.

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Column Says U.S. Methods 'Anti-Cypriot'

NC2306131695 Nicosia ELEVTHEROTIPIA in Greek 23 Jun 95 p 1

[From the "Free Comment" column: "More Determination"]

[FBIS Translated Text] If we judge by some actions and public positions adopted by the United States, then both Washington's intentions and aims on the Cyprus issue must now concern us more. Those who talk about the United States orchestrating actions at the expense of Cyprus are right. Those who note a particularly excessive zeal by the Americans to promote Turkish interests in the EU are also right. We are also right and strongly justified in doubting the U.S. intentions with regard to Cyprus' accession to the EU.

We are of the opinion that we should stop being tolerant of the anti-Cypriot methods of the United States. We must reject them more courageously and with more dignity.

Editorial on U.S. Coordinator's Initiative

NC2306165595 Nicosia ALITHIA in Greek 23 Jun 95 p 1

[Editorial: "The Williams Tour"]

[FBIS Translated Text] The visit by James Williams, the U.S. coordinator for Cyprus, to European capitals is part of a U.S. initiative on the Cyprus issue and relates to the role a united Europe could play in both Cyprus' accession and Turkey's customs union.

There is no doubt the U.S. element is interested in Turkey becoming more European than remaining an Islamic country. This is because such a strengthening of relations could lead to abandoning an unacceptable political mentality that causes problems in the region. The Turkish economy might not respond to European prerequisites and specifications but the political necessity of it becoming European, rather than Islamic, is significant. It is not incidental that the Turkish political world does not favor European models.

The contacts Williams will have in London with the Greek Cypriot and Turkish Cypriot communities appear to be particularly significant. London is said to be the..."second capital" of Cyprus, since approximately 250,000 Greek Cypriots and Turkish Cypriots live there. All these people live together harmoniously in the British capital and the extremely few cases involving fanatics and chauvinists merely emphasize the traditional friendly relations. Most Turkish Cypriot emigrants are also victims of the invasion and occupation or have been displaced by settlers.

We do not believe the U.S. element ignores the realities concerning Cyprus or the artificial situations that preserve the partitionist regime. But we expect the Americans to encourage this climate of rapprochement on which they base their mediation, a climate diametrically opposed to the tactics of division harbored by other extraneous factors before we reached the current plight. The view that coexistence is impossible is a ridiculous argument, because the partitionist anomalies are artificial and unnatural.

The two communities in London can give this message to the U.S. official and support a more decisive intervention, because our emigrants have a bitter experience and clear political vision dispelling the clouds of propaganda and chauvinism.

The international element has already described the status quo as unacceptable. The grassroots must strongly verify this statement so that the road to reunion may open. The future in a divided Cyprus will be dark and dangerous for everyone.

Spokesman: UNSC Resolution 1000 'Satisfactory'

NC2406134195 Nicosia Cyprus Broadcasting Corporation Radio Network in Greek 1030 GMT 24 Jun 95

[FBIS Translated Text] Government spokesman Ioannis Kasoulidhis has stressed that the government would be ready to discuss a reduction in the military forces and a freeze in arms systems as part of a specific timetable that covers the next phases and leads to Cyprus' demilitarization. He said: Otherwise, it is meaningless to talk about a partial withdrawal of the Turkish troops that will not reduce the military capability of the occupation forces at all and at the same time enables their return whenever Attila [Turkish armed forces) decides so.

Kasoulidhis made the statement to CyBC [Cyprus Broadcasting Corporation] when commenting on the UN Security Council resolution that was adopted last night. The resolution renews the UNFICYP [UN Peacekeeping Forces in Cyprus] mandate and appeals for an arms reduction. The spokesman said the demilitarization issue could be raised first and negotiations could begin within the framework of an overall solution.

Discussing the appeal for disengagement and the use of live ammunition at the confrontation line, Kasoulidhis mentioned that the Greek Cypriot side is ready to discuss these issues as long as the Turks agree that a discussion should be held between the occupation military leadership and our military leadership. The spokesman said that last night's resolution should be considered satisfactory since it does not include any elements that our side considers unacceptable.

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Government Denounces Turkish 'Fortifications' Move

NC2306135495 Nicosia Cyprus Broadcasting Corporation Radio Network in Greek 1300 GMT 23 Jun 95

[FBIS Translated Text] The Cypriot Government is making representations at the UN Security Council to denounce new provocative action by the occupation forces, building fortifications along the Attila [Turkish troops] line in the Paphos Gate area of Nicosia. Instructions to denounce the move have been given to the permanent Cyprus representatives at the United Nations. Foreign Minister Alekos Mikhailidhis said in a statement at noon today that the Turks did not allow the United Nations to approach the area to inspect the project. He also denounced the Turkish side for provoking everyone, primarily the United Nations, with this action. Mikhailidhis described as ridiculous Turkish claims that a children's park was being built at the Paphos Gate walls.

Defense Minister Konstandinos Iliadhis said: The construction by the Turks at the Paphos Gate walls is not in line with the Turkish claim that a children's park is being built. The defense minister added that explanations have been sought from the United Nations. He also noted that the Defense Ministry had not been briefed by the United Nations on the Turkish project.

Government spokesman Ioannis Kasoulidhis described as suspicious and disturbing the depth of the excavations, which, he stressed, do not fit Turkish claims that a children's park is being built. The spokesman said: We too can construct fortifications in the form of a park. He added: We expect the UN peacekeeping force, which bears some responsibility, to follow the issue and brief the government accordingly. Answering a question, Kasoulidhis said: Whether or not there has been any briefing on the Turkish project, this should not lead us away from the essence of the issue, that is, the construction. As the spokesman noted, if these are fortifications, then this violates the disengagement agreement.

Responding to questions from correspondents before his meeting with President Glavkos Kliridhis this morning, Gustave Feissel, the acting UN secretary general's special representative, made the following statement: The United Nations is following up on the occupation forces' fortifications project along the confrontation line. The United Nations is also investigating a recent incident in which shots were fired at Kokkina, wounding a Turk.

Kliridhis To Meet at EU as Membership Applicant

NC2506131995 Nicosia Cyprus Broadcasting Corporation Radio Network in Greek 1030 GMT 25 Jun 95

[FBIS Translated Text] In a statement before leaving for Cannes at noon today — the French EU Presidency invited President Kliridhis and 10 other leaders of countries that applied for membership — President Glavkos Kliridhis said that at the EU summit he will promote the Cypriot positions on overall European security, preparations for the 1996 Intergovernment Conference, and the Mediterranean dimension of the EU. He mentioned that the Government has prepared documents elaborating these positions.

The president said the meeting between the 15 EU leaders and the invited leaders is an opportunity for all to meet each other. When asked if he will raise the Cyprus issue, the president replied that the issue will be raised in private meetings that he and Foreign Minister Alekos Mikhailidhis will have on the sidelines of the EU summit.

The EU summit will open on 26 June and the 15 will meet the 11 leaders at a lunch to be held after the conclusion of the meeting on 27 June. Talks between them will then follow.

This is the first time since the accession negotiations began and structured talks were decided that President Kliridhis will appear at an EU summit. The foreign minister, government spokesman Ioannis Kasoulidhis, and other government officials are accompanying the president. Deputy Khristakis Katsambas will be acting president.

Turkey Offers Rescue Services in Cyprus Waters

NC2506200295 Nicosia ELEVTHEROTIPIA in Greek 25 Jun 95 p 1

[Report by Andreas Skordhis]

[FBIS Translated Excerpt] Turkey is offering search and rescue services in the seas around Cyprus! We were informed that the Turkish authorities have already issued the relevant documents informing various countries and services that they are able to undertake such missions. They cite humanitarian reasons, claiming that Cyprus is not in a position to offer such services.

The Cypriot authorities have been informed of this and are concerned. The police briefed the House of Representatives about the whole issue in a confidential report; the report says that this justifies the purchase of a second helicopter for them. They stress that the second helicopter would reinforce the Search and

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Rescue Center, which has been established in Cyprus but cannot meet its needs with just one helicopter. The Justice and Public Order Ministry noted that Turkey is trying to take advantage of this weakness. It also mentions the following:

"In addition to providing assistance to air transportation, each country that controls part of a FIR [Flight Information Region] has to provide search and rescue services in the area it controls. Cyprus controls a region that extends to the shores of Egypt, Israel, Syria, and Turkey and reaches almost to Rhodes. The Search and Rescue Center was created for this purpose and will be manned on a 24-hour basis by members of the National Guard's Air Force. The only helicopter that is appropriate for a search and rescue mission is the police helicopter. Obviously, a single helicopter is not sufficient to meet the needs." [passage omitted]

House Authorizes Purchase of Russian Tanks

NC2306205495 Nicosia Cyprus Broadcasting Corporation Radio Network in Greek 1900 GMT 23 Jun 95

[FBIS Translated Text] The House of Representatives has authorized the Defense Shield Fund to free money enabling the Cypriot Republic to purchase the Russian tanks Toma and Vioptron [as heard]. The purchase of the Russian tanks is included in the National Guard's four-year arms system program and is part of the 1995 budget, which is pending. The House of Representatives decided to go ahead with the authorization because the current agreement for the supply of the tanks is serious and complicated. The authorization was approved after the government submitted written and verbal assurances that the tanks are being built exclusively in Russia and that the Russian organization with which the negotiations were held belongs to the State and is directly supervised by the Russian Federal Government.

Russia, France Said Competing To Sell Arms

NC2506182495 Nicosia O FILELEVTHEROS in Greek 25 Jun 95 p 1

[Report by Makarios Dhrousiotis]

[FBIS Translated Text] The economic crisis that plagues the international arms industry and the increase in Cyprus' defense spending has made our country a significant buyer of war material. France and Russia are already waging a behind the scenes "battle" to conquer the Cypriot market. Other countries that make modern arms systems have shown interest, and even the United States sounded out the Defense Ministry regarding arms systems "in light of the intention to modify the regulations governing the arms sales embargo for foreign countries," among which is Cyprus.

According to information published in the international weekly newspaper DEFENSE NEWS, arms sales have dropped by 70 percent compared to before the end of the cold war. The French arms industry, which was Cyprus' main supplier, is facing very serious economic problems. Last year French exports did not surpass $675 million.

In the past six years, Cyprus made purchases amounting to $1.2 billion. The majority of Cyprus' spending went to France. The crisis in the French arms industry was the reason that France lifted some of its restrictions on the sale of additional tanks to Cyprus. We are told that during his recent visit to France, Defense Minister Kostas Iliadhis was told of strong French interest in the sale of military equipment to Cyprus.

In addition, France—which objected to Greece giving Cyprus old- technology AMX 30 tanks—finally consented and even offered technical support to replace their engines in Cyprus.

The Russians are demonstrating a similar interest. A sizable delegation of the arms export organization Rozvorouziene [as transliterated] is in Cyprus seeking contacts. The Russians are interested in selling Cyprus the latest generation tanks and missile systems.

Trade, Visa Agreements With Czechs Signed

NC2306165895 Nicosia Cyprus Broadcasting Corporation Radio Network in Greek 1600 GMT 23 Jun 95

[FBIS Translated Text] Cyprus and the Czech Republic today signed agreements concerning the trade sector and the abolition of visas. The agreements were signed in Nicosia by the two countries' foreign ministers, Alekos Mikhailidhis and Josef Zieleniec. Mikhailidhis earlier held talks with the Czech foreign minister and said in a statement that it had been agreed that two other agreements on the protection of investments and on agriculture be prepared for signing.

Denktas Sees No Legitimate Basis for Joining EU

TA2306161995 Nicosia Bayrak Radio in Turkish 1530 GMT 23 Jun 95

[FBIS Translated Text] President Rauf Denktas has warned that there is no legitimate government in Cyprus which can join the EU and represent the whole of Cyprus and if the Greek Cypriot efforts to unilaterally join the EU continue, the necessary measures will be adopted.

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Denktas concluded his contacts in Turkey and returned to the Turkish Republic of Northern Cyprus. In a statement at Ercan [Tymbou] State Airport, Denktas again warned the EU and Greek Cypriot officials. He underlined that it is wrong to go ahead with the one-sided Greek Cypriot application for EU membership. Denktas stressed that there is no legitimate government representing the two peoples in Cyprus today and said: There is no legitimate government in Cyprus which can join the EU as the representative of the whole of Cyprus.

Denktas remarked that the EU has not renounced and is actually encouraging the idea of accepting the Greek Cypriot Administration as a member. The Turkish Cypriot side and Turkey, however, will not relinquish their rights stemming from international agreements with regard to the Cyprus issue, the president noted. He added that these rights have been protected for 32 years and there is no question of renouncing them in the future.

Denktas stated that the aim is to offer Cyprus as a gift to Greece under the aegis of EU membership. Explaining that on the basis of the wrong attitude of the EU, the Greek Cypriots are under the impression that they are registering progress on this matter, Denktas said that this is a big mistake.

President Denktas warned that this path is leading away from the peace table. In his statement, Denktas also reiterated his appeal for peace to the Greek Cypriots. He said: We want the two equal peoples to live in peace side by side. The insistence to unilaterally join the EU, however, is obstructing peace, Denktas stressed. He warned that every necessary measure will be adopted unless this wrong stand is abandoned.

In his statement, Denktas pointed out that the Cyprus cause is the common cause of the Turkish Cypriots and of Turkey. Expressing satisfaction over the welcome he received in Turkey, Denktas said that Turkey is sufficiently alert and sensitive to the Cyprus issue. The president said that Turkey has an effervescent force which is evident throughout Anatolia, stressing that no one can divide Turkey.

U.S. Should Stop Pressure

TA2606123295 Nicosia Bayrak Radio in Turkish 1030 GMT 26 Jun 95

[FBIS Translated Text] President Rauf Denktas received U.S. Ambassador Richard Boucher at 1130 today. Present at the meeting — which was held at the Presidential Office — were, from the Turkish Cypriot side, presidential aides Necati Munir Ertegun and Ergun Olgun and Political Affairs Director Mustafa Evran, and from the U.S. side, (John Lister), second secretary at the U.S. Embassy.

In a statement before the meeting, Denktas said: They want us to support the one-sided appeal of the Greek Cypriot side to the EU. We, on the other hand, want them to give up their pressure on us in connection with this issue.

The U.S. ambassador said that this meeting was part of the routine visits he was paying to promote the solution of the Cyprus problem.

Denktas Reacts to Peacekeeping Force Extension

TA2406132795 Nicosia Bayrak Radio in Turkish 1030 GMT 24 Jun 95

[FBIS Translated Text] President Rauf Denktas has said that the UN Security Council is unwilling to diagnose the Cyprus problem. Denktas described as shameful the extension of the UNFICYP [UN Peacekeeping Force in Cyprus] mandate for another six months by the Security Council under the umbrella of the Greek Cypriot administration, which the UN has, for the last 32 years, recognized as the legitimate government of Cyprus despite the fact that it is not.

Assessing the resolution adopted by the UN Security Council on the Cyprus issue last night, Denktas noted that the resolution states that the UNFICYP is on the island with the consent of the so- called Cyprus Government and protested the phrases employed in the resolution. Pointing out that the Security Council has, for the last 32 years, continued to be unfair to the Turkish Cypriots in a bid to enable the Greek Cypriots to impose their legality on the entire world, Denktas said that this attitude has brought the problem to the point where it is difficult to reach a conciliation, adding that the Security Council has refrained from diagnosing the problem. Denktas recalled that the Cyprus problem has been created as a result of the Greek Cypriot policies and attacks, aimed at destroying the republic established with the 1960 agreements, replacing it with a Greek Cypriot republic, and then either uniting with Greece or continuing on their path as a second Greek republic.

Denktas stated that the Security Council has created an umbrella for the Greek Cypriots by passing a resolution that refers to the existence of a Cyprus Government while the Cyprus administration does not belong to the two communities on the island, while this administration has been occupied by the Greek Cypriots through the use of arms, and while the brutality Europe is witnessing in Bosnia- Herzegovina is being repeated in Cyprus and Turkish Cypriot blood is being shed. Denktas said that if the Security Council wants peace on the island it should

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first let the Greek Cypriots know that the supremacy of the laws should be abided by and that they are not the administration of the entire island.

Denktas said that this recent resolution is unacceptable in that it also refers to resolution 969. He added: Those who express regret over the lack of an agreement in Cyprus will continue to regret the lack of an agreement so long as they continue their erroneous attitude. Those who consider that introducing a divided Cyprus into the EU is tantamount to serving peace have adopted a resolution expressing regret over the lack of an agreement without having recognized the status of the Turkish Cypriots or having determined their rights and authorities after the door to the EU has been opened to the Greek Cypriots, and after it has been stressed that this destination will be attained despite the will of the Turkish Cypriots. What is the point of this resolution?

Noting that the resolution also refers to armament in the Cyprus Republic, Denktas said that since the Turkish Cypriots are not represented in the Cyprus Government, the Security Council has, at long last, realized that the Greek Cypriot administration in the south, which it refers to as the legitimate government, is continuing its armament efforts. Noting that this is a warning to the Greek Cypriots, Denktas added that, however, this is not sufficient and that the Greek Cypriots should clearly be prevented from claiming that it is the Turks who are arming themselves.

Denktas stated that the resolution further asks that the two sides show understanding toward one another and take the necessary steps toward peace. He added that those who make these requests should, primarily, tell the Greek Cypriots that they should renounce their goal of EU membership. Denktas said that the Greek Cypriot moves to join the EU constitute an obstacle to a conciliation between the two peoples and to the establishment of a federation. He noted that the resolution also refers to direct talks between the leaders of the two communities, adding that the Turkish Cypriot side has, for a long time, been in favor of such meetings and that the meeting in October, 1994, was held at the request and insistence of the Turkish Cypriots. Denktas said that the meeting was not fruitful because Kliridhis sought Turkish Cypriot support for the Greek Cypriot application to join the EU. Denktas added: The Turkish Cypriot side does not run away from direct talks with the Greek Cypriots. If, however, they want us to discuss and support their unilateral application to the EU then we will discuss and reject it. Denktas said that it is beneficial for all to know that the Turkish Cypriot side will continue to reject this proposal. He continued: Let them not try to deceive us. It is in vain. We will not join the EU without Turkey. Let everyone know this.

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'Hot' Summer in Relations With Turkey Discussed

NC2506212295 Athens KIRIAKATIKI ELEVTHEROTIPIA in Greek 25 Jun 95 p 8

[Report by Stefanos Kasimatis]

[FBIS Translated Text] On the fifth floor of the building on Akadhimias I Street, the Foreign Ministry officials in charge of Greek-Turkish affairs have a serious reason not to be thinking yet about their vacations: Everything indicates that once again there will be a hot summer in regard to Greek-Turkish relations.

Apart from the tradition of the past 20 years, this summer in the Aegean will be especially crucial for three reasons:

1. The intense U.S. support for Turkey's approach to Europe.

2. The expected moves to settle the issue of the NATO headquarters in the Aegean.

3. The security that Turkey is feeling vis-a-vis our country. Greece's calm stance is working to the benefit of Turkish interests since the international equation is favorable for Turkey.

With full knowledge of its geostrategic role, Turkey is following the firm policy of threateningly presenting to the West its own domestic destabilizing factors (for example the Kurdish uprising, the rise of the Islamists). This way it increases Western concern about Turkey's future and manages to secure international support. There are several recent examples of this support: U.S. President Bill Clinton's strange insistence on an invitation for Turkish Prime Minister Tansu Ciller to the EU summit in Cannes, plus the statements by Richard Holbrooke, the U.S. assistant secretary of state for European and Canadian affairs, describing Turkey a "front line country" (equal to West Germany during the cold war period).

Given this climate, no one at the Foreign Ministry was surprised by the cold shower that Greek Ambassador in Washington Loukas Tsilas received when he lodged a demarche about the U.S. State Department's report on Cyprus. Tsilas' arguments met a complete lack of understanding from his U.S. interlocutors...

The NATO Headquarters

On its part, NATO intends to make new proposals to Athens soon. The activation of the three NATO Headquarters in the Greek state was frozen because Athens refuses to accept the solution package proposed by NATO Secretary General Willy Claes as long as Turkey imposes the condition that first the Greek and Turkish rights in the Aegean airspace must be defined. This Turkish policy is dictated by the recent fear that if an agreement on the airspace is reached later, the package agreement will enable Greece to acquire the Land Headquarters in Larisa and the Multinational Division Headquarters in Thessaloniki and then to back down on the disputed issue of the Air Subheadquarters in Larisa.

The entire issue was complicated further at the EU Council of Ministers (in early June) when National Defense Minister Yerasimos Arsenis refused to give Athens' approval for the Izmir Headquarters' budget. Because of the deadlock, the Alliance is now considering new ideas:

According to diplomatic sources in Brussels, NATO is preparing to propose a step-by-step [preceding term in English] negotiation to reach a settlement that will lead to activating the headquarters, on the condition that this will actually go into effect when a final agreement is reached. Diplomatic circles in Athens recognize that this procedure is dangerous, but at the same time they look forward to NATO's activity because they are certain that Greece will be in an extremely unfavorable position if it does not agree to the financing of Izmir during the informal NATO ministerial meeting in October.

No Pressure on Turkey

In other words, the current conditions are unfavorable for Greece because: On the one hand, Turkey essentially is under no international pressure and as a result is becoming arrogant; and on the other hand, the Alliance's military sector is adopting the Turkish positions in the Aegean and is in a hurry to bridge the operational gap that has surfaced because of the pending headquarters issue.

This is why it is certainly no accident that circles with extensive experience (and official engagement) on such issues, disagree with the policy of National Defense Ministry officials on the headquarters issue. These circles recognize that it is not in the interest of our country to perpetuate indefinitely the issue and thus facilitate Turkey's short-term pursuits in the Aegean. They also note that activating the headquarters in our country would upgrade Greece's Balkan role. To achieve this, they propose that settlements that are acceptable to Turkey be found.

Government Denounces Turks' 'Provocative' Action

NC2306161895 Athens ELEVTHEROTIPIA in Greek 23 Jun 95 p 3

[FBIS Translated Excerpt] The government spokesman has described as an official and clamorous violation of

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the UN Charter the new provocative action by Ankara, putting its warlike threats against Greece in a letter to the UN secretary general.

Ankara has sent an official letter to Butrus Butrus-Ghali, describing the extension of Greek territorial water to 12 nautical miles as an "adventurous policy." The letter was an answer to Greece's official and strong protest to the United Nations against the recent Turkish threats. [passage omitted]

The government spokesman in Athens stressed in his statement: "With the letter from its permanent UN representative, Turkey is proving, and in the most official manner, that it is blatantly violating the UN Charter by leveling warlike threats that make it accountable to the international community. Turkey's provocative nature is now also being outlined at the UN headquarters."

Greek Ambassador in Ankara Dhimitrios Nezeritis is visiting Athens for an in-depth examination of Turkey's stance toward Athens.

New Democracy Chairman Miltiadhis Evert called on the government to raise the issue of provocative statements by Tansu Ciller and Turkish ministers at the EU summit in Cannes. Evert said the government's retreat must stop, because an EU member state cannot be threatened by Turkey. He suggested that the issue of Turkey's customs union should also be raised, since it is proven that Turkey does not respect international law or UN decisions. [passage omitted]

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Human Rights Report Sees 'No Improvement'

NC2506102795 Ankara TURKISH DAILY NEWS in English 21 Jun 95 p A3

[FBIS Transcribed Text] Ankara — April and May saw no improvement in the human rights situation in Turkey, according to a Human Rights Association (IHD) report released on Tuesday [20 June].

Execution without trial, torture or time spent in custody resulted in the death of 20 people over the two-month period, according to the report. Also, there were 14 unsolved killings during April and May and 26 people went missing while in custody, the report says. The number of "criminals of thought" in prison is given as 157.

The IHD document notes that "criminals of thought" were fined TL [Turkish lira] 6 billion and the total length of prison sentences of the 157 detainees is 66 years. The reports also indicates that 50 books and publications were confiscated in the period under examination and 75 individuals from the media were taken into custody.

The number of villages burned down and evacuated was 29, according to the report. Also, 20 police raids were organized on associations, unions, and publishing houses and 22 bomb attacks were carried out. The IHD's document claims that eight associations, foundations and publishing houses were closed down in the two-month period.

Speaking at a press conference on Tuesday, Akin Birdal, the chairman of the IHD, said the association was under increased pressure. He also criticized the deportation of International Human Rights' Association members from Turkey, referring to Amnesty International's representative, Helmut Oberdiek, who had to leave the country on June 12.

With respect to the debates on constitutional amendments, Birdal said the planned changes were not an adequate response to turkey's needs.

"The 1982 Constitution should be changed as a whole. The planned changes would not be a step toward a real shake up of the legal structure nor would they be a step toward democratization," said Birdal.

The IHD leader continued that while the debates on constitutional amendments continued, the authorities should be more sensitive to the civil servants and workers who staged a sit-in protest in Ankara to demand the right to collective bargaining negotiations and to strike.

"The natural result of being a democratic and open society is the establishment of democratic controls on the army and the bureaucracy," added the chairman.

CHP 'Rift' Reported Over Provide Comfort

NC2506100695 Ankara TURKISH DAILY NEWS in English 20 Jun 95 p A3

[FBIS Transcribed Text] Ankara — Two government ministers from junior coalition partner Republican People's Party (CHP) who are pledged not to support an extended mandate for the Operation Provide Comfort, have caused a rift in the party with social democrat politicians loyal to party leader Hikment Cetin refusing their call for a binding decision on the issue.

The mandate of the Western air force protecting the Iraqi Kurds in their safe haven in the north from Iraqi attack expires at the end of the month and the approval of the Turkish parliament is needed to prolong its stay.

But the resistance of the two ministers is delaying the official government recommendation procedurally required for Parliament to start debating the extension.

Culture Minister Ercan Karakas and Algan Hacaloglu, the state minister for human rights, have already made clear their opposition to the prolonged stay of the Western warplanes at Incirlik air base, and have challenged the CHP leadership to impose a binding decision on the party deputies.

But Mehmet Kerimoglu, a leading CHP politician discounted the binding decision and that signing or not signing the government recommendation was the ministers' "own problem."

He added that "these friends knew perfectly well that they would be asked to sign it when they accepted their ministerial portfolios."

He recalled that the CHP deputies were traditionally allowed to vote freely on the matter and while many voted for the extensions, some stayed away during the parliamentary vote.

At the latest vote on Provide Comfort late last December, Parliament voted 202 to 160 in favor of a six-month extension of its mandate.

The stiff Western reaction to Turkey's massive cross-border operation against the outlawed Kurdistan Workers' Party (PKK) separatists in northern Iraq as well as a recent series of rebel attacks on Turkish army posts has heightened public sentiment against the Provide Comfort.

The Western air force has come to be seen as a chief cause of the perceived "authority vacuum" in northern Iraq exploited by the PKK since it curbs Baghdad's authority in the region. This authority had already become nominal after Iraq's Gulf War defeat.

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Sanctions Against PKK Supporters Discussed

NC2306161195 Istanbul HURRIYET in Turkish 19 Jun 95 p 14

[From the "Footnote" column by Ferai Tinc: "Sanctions Against Countries That Support the PKK"]

[FBIS Translated Text] Turkey will try to wage a more successful struggle to solve its international problems. Henceforth, the countries that support the PKK and those that do not will be viewed separately. Onur Oymen, under secretary of the Turkish Foreign Ministry, will take a new step in the struggle his predecessor, Ozdem Sanberk, headed before he was accredited to London.

The Turkish Government has decided that the countries that embrace terrorists will not benefit from Turkey's friendship and business opportunities. Contrary to a previously held belief, Turkey is not in the position in which it must always ask for something. Obviously, several of Turkey's important partners have projects that concern our country. Many knock on Turkey's door to secure economic and political advantages. Considering the projects, Turkish officials will henceforth say: "Let us see now. What have you done on issues relating to the Workers Party of Kurdistan [PKK]? Have you embraced it or have you supported the struggle against terrorism?"

The approach maintained by the country that expects something from Turkey will be a decisive factor. Turkey will prefer the countries that do not support the PKK. It will inform the others as follows: "Excuse me, but you have not chosen to support us."

The approach was proposed by the Foreign Ministry and upheld by the government. It was upheld by the Turkish Government. The decision had significant effects on many foreign countries. Wise politicians in the countries that support the PKK have not ignored Turkey's decision. They have set about determining whether our country is strong enough to apply its decision. They know the decisions that are made by high-ranking officials in any country that is weak and divided at home cannot be successfully applied, however appropriate they may be.

Ambassador Onur Oymen returned from Germany to Turkey on Friday [16 June]. The Foreign Ministry's new approach has been put into effect. The newly appointed officials have taken up their duties. Many have already familiarized themselves with their responsibilities.

Obviously, economic relations have become more important than political relations worldwide. Considering that, the Foreign Ministry has taken a new step. It has established a new department to be known as the Foreign Economic Relations Department. Ambassador Nurver Nures will try to provide information to Turkish businessmen who try to establish business relations with foreign companies and countries. The department will also try to establish new business opportunities and help Turkish businessmen get organized and coordinate their work. As one who has close ties with many Turkish and foreign diplomats, I can say that the decision to establish the Foreign Economic Relations Department was very appropriate. That is because I have recently observed that diplomats are more concerned with companies and businessmen than political problems and politicians.

Turkey spearheaded the effort to establish the Black Sea Economic Cooperation Organization. It has now moved to establish the Mediterranean Economic Cooperation Organization. Oymen has said: "We will focus significant attention on the Mediterranean in our foreign policy. We have begun to work on a project for a regional organization that will complement the EU program on the Mediterranean region. Turkey will assume an active role in the Mediterranean Economic Cooperation Organization."

Considering that, Turkey must be cautious about Greece's participation. Greece, which rejoined NATO's military wing with Turkey's consent and participated in the Black Sea Economic Cooperation Organization with former President Turgut Ozal's support, does not seem to realize the virtues of nobility. So, it may decide to be more realistic if Turkey adopts a different approach this time.

Kurds' Parliament-in-Exile Unable To Find Base

NC2506091995 Ankara TURKISH DAILY NEWS in English 21 Jun 95 p A2

[FBIS Transcribed Text] Ankara — Ankara's angry reaction to Amsterdam for not preventing the meeting of a Kurdish "parliament- in-exile" has made it difficult for the self-styled Kurdish parliament, which aimed at meeting in a different country each time, to find a new base.

Austria, where the Kurdish "parliament-on-the-road" wanted to meet next, has said that it will neither "recognize" nor "support" the Kurdish "parliament."

The Austrian government's objection was revealed in a letter by Alois Mock, the former Austrian foreign minister who resigned last month, to Social Democrat Party deputies. Mock described the Kurdish parliament-in-exile as a "secessionist body" and expressed support for Turkey in its efforts to strengthen its human rights and democratic state system.

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"Despite the change of foreign ministers, the views expressed by Mock is still our policy," an Austrian diplomat told the Turkish Daily News.

"We do not recognize any such body as a parliament-in-exile. Austria thinks the parliament of Turkey is in Ankara," the diplomat said.

"The efforts of the Kurdish parliament-in-exile are purely secessionist," Mock said in his letter. "Austria will neither recognize nor support it."

Mock said in this letter a "political solution" meant a dialogue between interested parties or representatives, but the "outlawed Kurdistan Workers' Party (PKK) which systematically used terrorism...could not be considered a counterpart."

Asked whether the lack of support and recognition meant that Vienna would prevent the parliament-in-exile from meeting in Vienna, the Austrian diplomat said; "I have had no indication that we will allow them to meet in Austria."

According to Turkish observers, Austria's objection to the self- styled parliament intensified after Yasar Kaya, its "chairman", told a press conference in Vienna that the parliament was the "PKK itself."

Kaya said that he had met with the PKK leader Abdullah Ocalan in al-Biqa' Valley in the Syrian-controlled part of Lebanon after his Democracy party was closed down. "The Kurdish Parliament-in-exile is not a body overshadowed by the PKK. We are, through our efforts, the PKK itself," Kaya was quoted as saying.

Although Kaya said that his meetings with the Austrian parliament had been fruitful, his remarks also reflected some disappointment: "Small European states support our efforts, but larger states act selfishly due to their imperial interests and place their support with Turkey."

Turkish and foreign observers say the remark is due to the cold shoulder the self-styled parliament has had from Austria, Germany and Belgium, where they originally planned to meet.

Ankara, for its part, has made it clear that it was going to pursue a "carrot and stick" policy toward Europe on the issue of support to Kurdish activists.

"It is inevitable that the attitude of certain countries, who do not show the necessary sensitivity and determination of fighting terrorism, will have a reflection on these country's relations with Turkey," Foreign Ministry spokesman Omer Akbel said last Wednesday [14 June].

"It is only natural that we will carefully note the attitude of the countries which cooperate, and make a distinction between the two groups."

Turkey has placed the Netherlands on the military "red list," which means that Ankara will not make any defense industry deals in future with this country. Turkish officials maintain that relations with their Dutch counterparts have "yielded results" and relations can gradually normalize.

Cindoruk Attacks Greek Deputies PKK Camp Visit

TA2406181195 Ankara TRT Television Network in Turkish 1700 GMT 24 Jun 95

[FBIS Translated Text] Husamettin Cindoruk, speaker of the Turkish Grand National Assembly, has criticized various Greek parliamentarians for visiting the camps of the PKK [Workers Party of Kurdistan] separatist terror organization in Lebanon and presenting the leader of this organization with the national Greek emblem, which is an antique Macedonian shield.

Cindoruk sent a letter to the assembly speakers of NATO member countries, the president of the Council of Europe Parliamentary Assembly, and the speaker of the European Union Parliament condemning the stand adopted by the Greek parliamentarians. In his letter, Cindoruk stressed that one cannot say that the Greek parliamentary delegation, headed by the deputy speaker of the Greek parliament, was not aware of the consequences of the meeting held with the leader of the terrorist organization, which threatens the unity and territorial integrity of Turkey.

Noting that it is the joint ideal of humanity to take a stand against terrorism, Cindoruk, in his letter, pointed out that the Greek parliamentarians do not feel such a responsibility. Recalling that the stand of the Greek parliamentarians is incompatible with Greece's obligations undertaken in accordance with international treaties, Cindoruk added that this situation constitutes a very harmful example for all civilized communities.

Noting that it is impossible for him to accept the behavior of the Greek parliamentarians, Cindoruk added that he strongly condemns their action. He concluded his letter as follows: Furthermore, this visit, which took place with the participation of the deputy speaker of the Greek assembly and four deputies from various parties, means that a parliamentary delegation has paid an official visit to a terror organization. It is not sufficient to condemn the visit made by a group of parliamentarians from a democratic country to the headquarters of a terrorist organization that kills innocent people, that aims at destroying democratic values, and that has been declared illegal by member countries of the Council of Europe. This act is also tantamount to a Greek parliamentary support for this organization's violence toward its neighbor, namely the Turkish people. No

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doubt, it is unthinkable for Turkey to remain silent in the face of such a development.

Ciller Urges 'Deceived' Youth To Surrender

TA2406123495 Ankara TRT Television Network in Turkish 1000 GMT 24 Jun 95

[FBIS Translated Text] Prime Minister Tansu Ciller has called on the youth of Turkey who have been deceived by the terrorist organization into perpetrating armed attacks against Turkey to take advantage of the opportunities offered by the law of repentance.

In her message, Ciller recalled that the law, which is known as the law of repentance by the people, will no longer be in effect after 7 July. She urged all young people who joined the terrorist organization through deception to come and take advantage of this last chance offered by the state during this short period of time — 15 days.

Ciller said: You will be saved by taking advantage of this law's provisions if you surrender by 7 July. The operations will continue until the whole organization is eradicated. The only chance for your staying alive in these operations is if you surrender. We are aware that the members of the organization are in a state of starvation and that the population, in particular the regional population, are tired of terrorism and are not giving any food or shelter to the terrorist organization. I call on the common sense of the youth who want to escape from the organization: Take advantage of this last chance offered to you by the state. Do not be afraid of the threats of the organization. Save your lives by running and surrendering to the closest security forces. I assure you as the prime minister of the Turkish Republic and as the mother of all the young people of the country that your lives will be spared and that you will not be treated badly. I want you to know that we will do everything in our power so that you and your family, who await you with the greatest impatience, will be able to start a new life.

Also calling on the mothers and fathers whose children were deceived, Ciller said: Let us together save your children from the clutches of the terrorist organization. Let your children's current situation not be their fate.

Ciller said: You are not late but your time is slowly running out. You have 15 days to go. Send messages to your children, who were deceived, and protect them. You will not be able to digest the food you eat without your children. Let your hearts not be filled with fear and eyes with tears each time you listen to the news on the radio or television. Do not forget that the state will protect your children and their families the moment they decide to free themselves from the terrorist organization. The state guarantees you and your children's lives and properties. I promise this as a mother.

Right now the security forces in the region are also issuing calls for repentance and taking shelter in the state. Planes and helicopters are dropping millions of leaflets to the terrorists and their families in villages and localities. I urge everybody to use their common sense and take advantage of this call of goodwill. I do not want our young people and their mothers and fathers to miss this opportunity.

Economic Officials Recommend 'New Currency'

NC2506100595 Ankara TURKISH DAILY NEWS in English 20 Jun 95 pp 1, A7

[FBIS Transcribed Text] Ankara — Turkish economy officials have revived long dormant plans to chop three zeroes from the battered lira to create a new currency but political sources said the plan needs a final go-ahead from Prime Minister Tansu Ciller.

State Minister Onur Kumbaracibasi said that the monetary authorities recommended on Monday [19 June] the suitability of the plan. "Taking off the zeroes is not a way to fight inflation," Kumbaracibasi told reporters. "It will just be a technical step to gain, as we anticipate, (positive) psychological effects. It is, after all, a step which many other countries have already taken," he said after a meeting at the prime ministry building. Kumbaracibasi, a social democrat member of the coalition cabinet, said good timing was most important for putting the plan and added that it was now up to the prime minister and the cabinet to decide whether to go ahead with the currency change. He said that his work (with the central bankers) was only a technical work. "We can put into circulation the new banknotes and coins by the end of the year if we get the political support now."

Kumbaracibasi said high denominations gave Turkey a bad image abroad at a time when Ankara is trying to enter a customs union with the European Union.

He also said printing and putting the new currency into circulation would not be as costly as many estimate. "The Central Bank now spends more money on destroying old banknotes and printing new ones," he said.

Turkey's high rates of inflation, which fell to an annual 82.4 percent in May, has in recent years made the printing of banknotes with big denominations necessary. the highest denomination is a one-million ($23) lira note.

There were press reports on Monday that the monetary authorities considered three options to name the new currency: eti; new lira; and akce.

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"I would prefer to name it Ata lira (a reference to Kemal Ataturk, founder of modern Turkey). Akce (Ottoman currency) sounds a bit old-fashioned to me," Kumbaracibasi said. Cash is the most widely-used form of payment in Turkey, as newly introduced payment instruments such as checks and credit cards have not yet gained popularity.

Culture Minister Resigns Over Government Policy

TA2406111295 Ankara TRT Television Network in Turkish 2010 GMT 23 Jun 95

[FBIS Translated Text] Culture Minister Ercan Karakas has resigned from his duties as culture minister. In a written statement he issued during the evening hours, Karakas said that he submitted his resignation to Hikmet Cetin, Republican People's Party leader, state minister, and deputy prime minister.

In his resignation Karakas said: In the wake of discussions and assessments that have been ongoing for some time, I am convinced that the policies conducted by the coalition government, of which I am a part and which I served during its establishment, are out of line with the defined aims of the action plan.

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